FRANCHISE DISCLOSURE DOCUMENT

HomeSmart International, LLC,
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HomeSmart International, LLC offers franchises for the operation of a business offering real estate brokerage services to both residential and commercial real property purchasers and sellers (each a "Real Estate Brokerage Business").

The total investment necessary to begin operation of a HomeSmart franchised business is $65,500 - $205,000. This includes $20,000 that must be paid to the franchisor or its Affiliate(s). If you desire to open one or more Branch Offices within your Territory from which to operate your HomeSmart Real Estate Brokerage Business, you must pay us a Branch Office Fee of $10,000 for each additional Branch Office you open.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact HomeSmart International Franchise Services at 8388 East Hartford Dr., Suite 100, Scottsdale, Arizona 85255, and (602) 889-2100.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or 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 also be laws on franchising in your state. Ask your state agencies about them.

The issuance date: April 4, 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 Exhibit C.
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 and Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only HomeSmart Franchised Business in my area?	Item 12 and the "Territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a HomeSmart Franchised Business franchisee?	Item 20 or Exhibit C 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 model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About This Franchise

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

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

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

3. **Spousal Consent**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

4. **Minimum Required Payments**. You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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

To simplify the language in this Franchise Disclosure Document, "**HomeSmart International**" or "**we**" or **"us"** or **"Franchisor"** means HomeSmart International, LLC. "**You**" or **"Franchisee"** means the person, corporation, partnership or other business entity that buys the Franchise. If you are a business entity, "**you**" includes your owners.

The Franchisor, Predecessor and Affiliates

HomeSmart International, LLC is an Arizona limited liability company formed on May 19, 2005. We do not do business under any other name. Our principal business address is 8388 East Hartford Dr., Suite 100, Scottsdale, AZ 85255. We began offering franchises for HomeSmart Real Estate Brokerage Businesses in August 2005. We have not offered franchises in other lines of business. While we do not operate a Real Estate Brokerage Businesses, our Affiliates (described below) operate fifteen (15) HomeSmart Real Estate Brokerage Business located in Arizona, California, Colorado, Florida, Georgia, Maryland, the District of Columbia, Pennsylvania, Virginia, Delaware, Kentucky, Texas, Michigan, West Virginia, Vermont and Maine.

Our agent and address for service of process in Arizona is CT Corporation System, 3800 North Central Avenue, Suite 460, Phoenix, Arizona 85012, (888) 724-9870. Our other agents for service of process are disclosed on **Exhibit D**.

Our parent is HomeSmart Holdings, Inc., a Delaware corporation formed on October 22, 2020.

We have eleven (11) affiliates ("**Affiliates**").

HomeSmart Services, LLC ("**HomeSmart Services**") is a Delaware limited liability company formed on November 5, 2020. HomeSmart Services is a service provider that provides professional services to Franchisor and its Affiliates. HomeSmart Services Equitable Title Agency, LLC ("**Equitable**") is an Arizona limited liability company formed on March 14, 2016. Equitable is a title agency. Finco Mortgage, LLC ("**Finco**") dba Minute Mortgage, is an Arizona limited liability company formed on November 16, 2017 with its principal place of business located at 8388 E Hartford Dr., Suite 111, Scottsdale, Arizona 85255. Finco is a mortgage company. HomeSmart Canada Holding Corp. ("**HS Canada**") is an Arizona corporation formed on August 5, 2020. HS Canada is a holding company for our Canadian operations. On the Run Printing, LLC ("**On the Run**") is an Arizona limited liability company formed on November 18, 2011. On the Run is a printing company. VirtuSmart Inc. ("**VirtuSmart**") is an Arizona corporation formed as a limited liability company on May 19, 2005 and converted to a corporation on March 29, 2022. VirtuSmart is a technology company that provides software, computer equipment, and related services to real estate brokerage businesses, including our franchisees. EQJV, LLC ("**EQJV**") is an Arizona limited liability company that was formed on January 15, 2020. EQJV is a joint venture partner in several third party entities that provide title services. Creative Services, LLC ("**Creative Services**") is a Puerto Rican limited liability company formed on August 2, 2018. Creative Services provides software and hardware technology development and marketing and document management services. HS Brokerage Holdings, LLC is a Delaware limited liability company ("**HS Brokerage**") that was formed on November 5, 2020. HS Brokerage is the parent for all company owned HomeSmart brokerages throughout the United States. The principal place of business for each of our affiliates is 8388 E Hartford Dr., Suite 110, Scottsdale, Arizona 85255. Equitable Escrow, Inc. ("Equitable Escrow") is a California Corporation formed on May 14, 2013. Equitable Escrow is an escrow company.

None of our Affiliates offer any franchises in the real estate brokerage business or any other line of business.

We do not have any predecessors.

The Business

We offer franchises for the use of our "HOMESMART" trademarks, trade names, service marks and logos ("**Marks**") in the operation of HomeSmart Real Estate Brokerage Businesses. The HomeSmart Real Estate Brokerage Business is operated under a business format with a unique system, including our valuable know-how, information, Trade Secrets, methods, Operations Manual, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of HomeSmart Real Estate Brokerage Businesses ("**System**"). We reserve the right to change or otherwise modify the System at any time. Each HomeSmart Real Estate Brokerage Business offers residential and commercial real property purchasers and sellers a variety of services in the real estate industry.

You must operate your HomeSmart Real Estate Brokerage Business according to our standard business operating practices and sign our standard franchise agreement ("**Franchise Agreement**"). We reserve the right to add, modify, or delete any Services that you must offer or sell at your HomeSmart Real Estate Brokerage Business at any time. You must also obtain all necessary permits, licenses, and approvals to operate your HomeSmart Real Estate Brokerage Business, including a license to operate as a real estate broker as required by each state in which your HomeSmart Real Estate Brokerage Business is located.

The franchise that we offer is available to anyone who is not currently operating a HomeSmart Real Estate Brokerage Business. As a franchise operator, you may operate one HomeSmart Real Estate Brokerage Business for each Franchise Agreement you sign with us. However, you will be permitted to open branch offices ("**Branch Offices**") in your Territory as part of your HomeSmart Real Estate Brokerage Business for an additional branch office fee ("**Branch Office Fee**") of $10,000 per Branch Office. Not all franchise purchases require the purchase of Branch Offices. As such, unless stated otherwise, the fees listed below apply to each HomeSmart Real Estate Brokerage Business for which you sign a Franchise Agreement rather than each Branch Office you open under the same Franchise Agreement.

To maintain your Territory, you must retain the agreed upon number of real estate agents in your HomeSmart Real Estate Brokerage Business (the "**Annual Agent Quota**") (See Section 5.4 of the Franchise Agreement) which establishes the number of Agents that must be met by your HomeSmart Real Estate Brokerage Business during each year of the term of the Franchise Agreement. You must also open the number of Branch Offices in your Territory, as mutually agreed by us, which reflects a fair and accurate number of the Branch Offices that you have the resources and capability of opening during the term of the Franchise Agreement.

Regulations

There are specific regulations pertaining to operating in the residential and commercial real estate industry and you must comply with all local codes, regulations and licensing requirements. Local and state authorities may require you to obtain a real estate broker's license to operate a HomeSmart Real Estate Brokerage Business. Some states also require franchised real estate brokers to identify themselves as franchised real estate brokers when offering Services to the public. You should consult with local agencies and/or your attorney. You must obtain all required licenses and permits and ensure that your employees, agents, and others providing residential and commercial real estate services to customers on behalf of your HomeSmart Real Estate Brokerage Business have all required licenses and permits. The failure to maintain the proper licensing is a material breach of the Franchise Agreement. You should familiarize yourself with these laws before deciding to purchase a franchise and license to operate a HomeSmart Real Estate Brokerage Business from us.

Market Competition

The System presently focuses on providing real estate services to the public. You will have to compete with other real estate brokerage businesses including franchised operations, national chains, independent real estate brokers and agents, and independently owned real estate companies offering real estate services to residential and commercial customers.

ITEM 2:BUSINESS EXPERIENCE

Chief Executive Officer and Founder- Matt Widdows

Mr. Widdows has been our Chairman and Founder since our formation on May 19, 2005. He also served as our President from our founding until April 2011. Additionally, he has served as the President and CEO of HomeSmart, LLC since its formation on June 4, 1997 in Phoenix, Arizona. Mr. Widdows also serves as CEO of HomeSmart Holdings, Inc., since its formation on November 2, 2020.

President – Ashley Bowers

Ms. Bowers was the President of HomeSmart International, LLC between November 2013 and March 2018. In March 2018, Ms. Bowers became the Chief Strategy Officer of TTI Success Insights in Scottsdale, Arizona. In June of 2018, Ms. Bowers returned to her role as President of HomeSmart International, LLC. Ms. Bowers also has served as President of HomeSmart Holdings, Inc., since its formation on November 2, 2020.

Chief Financial Officer – Alan Goldman

Mr. Goldman has been our Chief Financial Officer since March 2021. Prior to joining HomeSmart International, Mr. Goldman was the Chief Accounting Officer for eXp World Holdings, Inc. in Bellingham, Washington, from November 2018 to May of 2020 and from was their Chief Financial Officer from March 2016 to November 2018, as well as the Chief Financial Officer of eXp Realty from March 2016 through May of 2020.

Senior Vice President of Franchise Sales- Bryan Brooks

Mr. Brooks has been our Senior Vice President of Franchise Sales since October 2015.

ITEM 3: LITIGATION

In Re: Franchise No Poaching Provisions (HomeSmart International, LLC). No. 20-2-02174-1 SEA On January 24, 2020, in an effort to avoid protracted and expensive litigation, HomeSmart International, LLC, entered into an Assurance of Discontinuance ("AOD") with the State of Washington. In connection with the AOD, HomeSmart agreed to not include provisions in its franchise agreement that prohibits a franchisee from hiring the employees of a different franchisee ("No-Poaching Provisions") in its franchise agreements and to not enforce the No-Poaching Provisions" in any of its existing franchise agreements. HomeSmart International, LLC also agreed to amend all of its existing franchise agreements as they come up for renewal.

Realty Mark LLC v. William Kratz, HomeSmart International LLC, Revo Realty Group LLC d.b.a. HomeSmart Realty Advisors. On January 6, 2021, HomeSmart International, LLC was named as a Defendant in a lawsuit filed in the Court of Common Pleas, Philadelphia County, Pennsylvania. The Plaintiff, Realty Mark, LLC, claims that the Defendants tortiously interfered with its contract, beneficial business relationships, and prospective economic advantages, in addition to its claims for negligence, unfair competition and civil conspiracy. Plaintiff is seeking greater than $100,000 in compensatory damages and $100,000 in punitive damages. HomeSmart International, LLC has answered the claims and discovery is proceeding. HomeSmart International, LLC will continue to vigorously defend against the claims.

Other than these actions, no litigation is required to be disclosed in this Item.

ITEM 4: BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5:INITIAL FEES

You must pay us an initial franchise fee ("**Initial Franchise Fee**") of $20,000 for your first HomeSmart International Real Estate Brokerage Office, which is payable when you sign a Franchise Agreement and is not refundable under any circumstances. If you commit to opening one or more Branch Offices in the Territory, you will also be required to pay us a Branch Office Fee of $10,000 per Branch Office immediately prior to the Opening Date (as defined below in Item 6) of each Branch Office. The Branch Office Fee is in lieu of an Initial Franchise Fee for each Branch Office that you open and is not refundable under any circumstances. We will negotiate with you before you sign your Franchise Agreement regarding the size of your Territory and the number of Branch Offices you must open in the Territory. During our last fiscal year, 15 franchised outlets were opened and we collected Initial Franchise Fees that ranged from $0 to $20,000, which includes the Initial Franchise Fee plus Branch Office Fees that were collected at the same time as the Initial Franchise Fee.

ITEM 6:OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fees and Franchise Marketing Accrual Fund Contributions (2)	The Royalty Fee you pay us is calculated as: (A) The greater of the collective total of: (i) $12 per agent per month; plus $120 per completed side; or (ii) $500 per month, and (B) $25 per rental, referral, or lease fee collected by Broker.	Payable monthly on or before the 10th of each month.	Franchise Marketing Accrual Fund Contributions are equal to 4% of the per transaction flat fee but are already incorporated into the Flat Fee Model (See Attachment 1) and therefore no additional Franchise Marketing Accrual Fund Contributions are collected. We account for Franchise Marketing Accrual Fund contributions from the Flat Fees paid.
HomeSmart+ Plan Fee (optional) (3)	3/4 of your share of commission split with all participating agents except that you shall always be entitled to retain at least $500.	Immediately upon the closing of each applicable transaction	If you opt into the HomeSmart+ Plan, you will employ an 80/20 commission split with participating agents and will deliver 3/4 of your share to SRN, LLC and retain the greater of 1/4 of your share of the commission or $500.
Annual Membership Fee (2) †	We currently anticipate charging an Annual Membership Fee to be paid by each of your agents. We will notify you prior to the	Due on or before the 10th day after each agent commences his or her association with you and on	We reserve the right to charge your agents an Annual Membership Fee in consideration for their continued right to participate in the System. We reserve the right to

Type of Fee	Amount	Due Date	Remarks
	date that such fee will be first due.	the 10th day of that month each year.	increase the Annual Membership Fee annually, but such increase will not exceed $5 per year. If any agent fails to pay an Annual Membership Fee when due, then you will pay such fee on demand from us.
Branch Office Fee (4) †	For each Branch Office in your Territory you will pay an additional Branch Office Fee of $10,000.	Due prior to the Opening Date of each Branch Office.	(See Note 12 for definition of Opening Date)
Local Advertising (5)	Will vary under circumstances.	As incurred.	You must agree to spend money for local advertising and promotions in the Territory in accordance with local marketing standards and practices.
Cooperative Advertising (6)	As determined by members of the cooperative approve but not to exceed more than 3% of annual Gross Commission Income.	As determined by members of the cooperative.	Members of each cooperative can determine the amount that each member contributes for advertising and marketing programs.
Additional Assistance (7)†	$500-$1000 per person per day plus travel expenses, lodging and meals.	Payable 10 days after billing.	We reserve the right to provide opening assistance on site at no additional charge.
Initial Training for Additional Person(s) (8)†	$500 per person.	Payable before the beginning of the Initial Training Program.	Training for two (2) people is included in the Initial Franchise Fee. Additional people may attend the Initial Training and will be charged $500 per person for a full week of attendance and/or $250 per person attending training 3 days or less. For all subsequent trainings during the Initial Term and/or Successor Terms of the Agreement at Franchisor's training facility, each person in attendance will be charged at a rate of $500 per person for 4 days or more and $250 per person for 3 days or less.
Transfer Fee†	20% of the then current Initial Franchise Fee plus 20% of the then current Branch Office Fee per Franchisee Branch Office.	Before acceptance of transfer.	Payable before you transfer your franchise.
Successor Franchise Fee†	50% of the then current Initial Franchise Fee plus	Upon signing the Successor	Based upon Franchise Fee for new franchises offered at the

Type of Fee	Amount	Due Date	Remarks
	50% of the then current Branch Office Fee for each Branch Office that is or will be open at the beginning of the Successor Term.	Franchise Agreement.	time Successor Franchise Agreement is signed plus the then-current Branch Office Fee.
Audit†	Cost of audit plus late fee of 5% interest per month on understated amount.	30 days after billing.	Payable only if audit shows an under-statement of at least 2% of Gross Commission Income for any month.
Indemnification†	Will vary under circumstances.	As incurred.	You must reimburse us if we are held liable for claims arising from your HomeSmart Real Estate Brokerage Business.
Cost of Enforcement or Defense†	All costs including accounting and attorney's fees.	Upon settlement or conclusion of claim or action.	You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement.
Late Fee	5% of the amount of any late payments.	As incurred.	Applies after any payments are due and unpaid.
Interest(9)†	1½% per month on the late amount.	As incurred.	Begins to accrue after any payments are due and unpaid.
Late Report Fee†	The higher of 5% of the reported amount or $100 per violation.	As incurred.	Payable only if a required report or financial statement is not delivered when due.
Technology Fee†	Currently $250 per month per System Instance of the "RealSmart Broker™" but we reserve the right to increase this amount by no more than $50 per month each year.	Payable monthly on or before the 10th of each month.	This fee may be increased by us when we add new technology or services.
Optional System License and Support Fee†	$0-$3,000 per month per System Instance of the RealSmart Broker™.	As incurred.	This fee will vary based on volume and the services requested by you.
MLS/RETS Fee†	Estimated at $250 per MLS per month	Payable monthly on or before the 10th of each month.	Payable for each month from and after the Opening Date.
Domain Name Fee	Equal to our expense in securing and maintaining your franchise specific domain name.	Payable annually or per domain registration terms.	We will only charge you what we pay to secure and maintain your domain name.
Additional Computer Training	Will vary based on length and type of course.	Prior to training.	You must take a computer training class at a local computer school (which may be an Affiliate of ours) if we determine that you do not have sufficient

Type of Fee	Amount	Due Date	Remarks
			skills to operate your computer, understand how to use the software, and access e-mail and the Internet.
Seminars, Conventions or Programs (10)	The estimated range of costs is $1,000 - $2000 plus materials estimated at $100.	As incurred.	We reserve the right to conduct periodic meetings of all Franchisees.
Lead Services	Lead Services will provide leads from various sources. These transactions will have splits that vary by source/program. The Franchisee will retain a portion of the split depending on the program, and the remainder will go to Franchisor.	Immediately upon the closing of each applicable transaction	Lead Services will identify and engage with strategic partners and lead programs providing referrals.

† Denotes fees that are imposed and payable to us or our Affiliates. All fees paid to us or our Affiliates are non-refundable under any circumstances once paid except as provided. Fees paid to vendors or other suppliers may or may not be refundable depending on your vendors and suppliers. We reserve the right to require you to pay fees and other amounts due to us via electronic funds transfer or other similar means, as described in the Franchise Agreement. If payments are required in this method, you must comply with our procedures and perform all acts and deliver and sign all documents, including authorization (in the form attached to the Franchise Agreement as **Attachment 4** or any other form that we may accept) for direct debits from your business bank operating account, which may be necessary to assist in or accomplish payment by this method. Under this procedure, you will authorize us to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to us and any interest that may be owed. You must make the funds available to us for withdrawal by ACH electronic transfer no later than the payment due date. If you have not timely reported your HomeSmart Real Estate Brokerage Business's Gross Commission Income to us for any reporting period, then we will be authorized, at our option, to debit your account for (a) the fees transferred from your account for the last reporting period for which a report of the HomeSmart Real Estate Brokerage Business's Gross Commission Income was provided to us, or (b) the amount due based on information retrieved from the RealSmart Broker™.

Notes:

(1) **Gross Commission Income**. In this Disclosure Document, "Gross Commission Income" means the total of all commissions (including rental commissions) or property management fees, collected or receivable by Franchisee and Franchisee's independent sales associates, agents, representatives, contractors, employees, partners, directors, officers, owners, or Franchisee's Affiliates, regardless of whether or not such individuals or Affiliates are entitled to retain all or part of such Gross Commission Income, directly or indirectly, in connection with the HomeSmart Real Estate Brokerage Business (earned in compliance with all applicable laws) including, but not limited to, transactions and provision of Services for which a real estate or auctioneer's license (including appraisal, title, or escrow services) is required, the sale or provision of Products or Services that we or any of our Affiliates develop or make available to you directly or through a third party, property management services, and/or any transaction, sale and/or service in which the Marks or the System are used in any manner, without deducting any of your multiple listing

fees, advertising costs, commissions, overrides, bonuses, salaries, gifts, or any other costs or expenses and other receipts and fees from your Agents, and from all other sources (including but not limited to referral fees and finder's fees received from brokers or agents in other brokerage companies) that are derived from the sale, lease, transfer or other disposition (including like-kind exchanges, barter exchanges, or other exchanges of property not involving money) of Real Property, including any note, obligation, lien or other consideration given to Franchisee in lieu of a commission, and insurance claims for lost profits if a claim is paid by the insurer.

Gross Commission Income does not include the (a) amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers, provided that the amount of any tax is shown separately and in fact paid by the Franchisee to the appropriate governmental authority; (b) monthly fees or additional transaction fees charged to agents by the Franchisee; or (c) fair market rent paid by Franchisee's Agents for the lease of office space at Franchisee's Central Office or Branch Office locations.

Gross Commission Income will be deemed received at the earlier of the closing of any transaction described above or when payment for any Services is received by Franchisee or an Agent. Gross Commission Income consisting of property or services will be valued at the fair market value of the property or services at the time that they are received.

(2) **Annual Membership Fee**. We anticipate initiating an annual membership fee ("Annual Membership Fee"). We reserve the right to increase the Annual Membership Fee on an annual basis. The Annual Membership Fee will be payable by each of your agents although if your agents do not pay the Annual Membership Fee when due, you will be required to pay this fee on demand from us.

(3) **HomeSmart+ Plan Fee.** You may, but are not obligated to, opt into the HomeSmart+ Plan. If you opt into the HomeSmart+ Plan, you will employ an 80/20 commission split with participating agents and will deliver 3/4 of your share to SRN, LLC and retain the greater of 1/4 of your share of the commission or $500. We will deposit 2/3 of the amount you pay to us into the HomeSmart+ Plan account and retain 1/3. The HomeSmart+ Plan will make payments to account owners by Franchisee but controlled by SRN, LLC for payment of bonuses, referral fees, and other payouts to participating agents. The policies and procedures of the HomeSmart+ Plan are part of our Operations Manual. The actual amount of the contribution will vary from franchisee to franchisee. If we do not receive the HomeSmart+ Plan payment on time, we may charge you a late payment fee of. This fee is reasonably related to our costs, is not a penalty, and is in addition to any other remedy we may have under the Franchise Agreement for your failure to timely pay your Revenue sharing contribution to us. All fees to include the HomeSmart+ Plan is currently uniformly imposed on all participating franchisees in the manner described in this Disclosure Document.

(4) **Branch Office Fee**. You may, in a manner consistent with your Franchise Agreement, open Branch Offices in your Territory. If you open a Branch Office in your Territory, you must pay us a Branch Office Fee equal to $10,000.

(5) **Local Advertising**. We will provide guidelines for Local Advertising. Local Advertising expense does not include the costs of advertising residential or commercial property for sale by your HomeSmart Real Estate Brokerage Business, costs for recruiting agents or other advertising expenses related directly to the sale of residential or commercial property.

(6) **Cooperatives**. Cooperatives will be composed of all franchised and company-operated HomeSmart Real Estate Brokerage Businesses located in a designated market area. If a franchisee cooperative is established, any franchisor-owned outlets will have the same voting power (one vote per outlet) as the franchisee owned outlets. The fees imposed by cooperatives, if established, will be determined by the outlets in the cooperative but not to exceed more than 3% of annual Gross Commission Income, each

franchise outlet having the same voting power of one per outlet. We anticipate that each franchisee will have one vote for each Central Office and Branch Office of the HomeSmart Real Estate Brokerage Business operated by the member in the designated market. No Cooperatives have been established as of the date of this Franchise Disclosure Document.

(7) **Additional Assistance**. The Initial Franchise Fee includes between three (3) and five (5) business days of initial training for you or, if you are a legal or business entity and one additional person such as a Designated Business Manager. You will be responsible for all wages, benefits, and travel expenses for all participants attending the initial training program including airfare, lodging, meals, ground transportation and personal expenses. The training will be at our Arizona headquarters or another location designated by us. After completion of the initial training, we will provide additional telephone assistance to you at no cost. If you require or request additional on-site assistance beyond what is provided by us, you can request that we send a representative to provide further assistance to you. If we provide additional assistance at your request, we must agree in advance to the charges you will pay and the length of the visit. The cost of additional assistance will depend on your needs and the amount of assistance you desire. We may also require you to receive additional assistance if you are not meeting our requirements or if we determine pre-opening assistance is required, or if we determine that it is necessary for us to provide additional assistance to you to keep the System competitive. This additional assistance will be at your expense as described above. Our current published rate in our Operations Manual for additional assistance is $500-$1000 per person per day plus the cost of travel and room and board, but we reserve the right to adjust that rate periodically in our Operations Manual.

(8) **Initial Training for Additional Persons**. We provide initial training for two people for between three (3) and five (5) business days with no additional training fee. If you want additional people to attend the initial training program, we will charge a training fee of $500 per person for a full week of training or $250 per person for three (3) days or less of training. Training fees can be increased or decreased by us at any time. You will also need to pay for airfare, lodging, ground transportation, meals, salary and benefits, and other personal expenses for each person attending the initial and recurring training program.

(9) **Interest.** The interest rate charged on unpaid amounts will not exceed the maximum rate permitted by applicable state law. In California, the maximum interest rate on unpaid amounts is ten percent (10%) per year.

(10) **Seminars, Conventions or Programs**. This figure is an estimate of the conference fees that you will pay to us (estimated to be between $500 - $1,000 per person) per event to attend seminars, conventions, or programs that we put on. This does not include the travel and living expenses that you and your representatives incur in attending these seminars, conventions, or programs.

(11) "**Opening Date**" means the first of the following to occur on or after the date on which we sign the Franchise Agreement: you begin to offer any Services, you collect any Gross Commission Income, you use any Mark, you open any Office, 120 days after the date on which we sign the Franchise Agreement; or, you otherwise engage in a HomeSmart Real Estate Brokerage Business.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT
STANDARD FRANCHISE – CENTRAL OFFICE

Type of Expenditure[(1)]	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee[(2)]	$20,000	$20,000	Lump sum	Upon signing the Franchise Agreement	HomeSmart International
Travel and living expenses while training[(3)]	$1,500	$5,000	As incurred	As incurred during training	Airlines, hotels, restaurants
Computer hardware and software[(4)]	$5,000	$30,000	Lump sum	At delivery	Suppliers, vendors
Supplies[(5)]	$1,500	$5,000	Before opening and as needed	At delivery	Suppliers
Opening promotional expense [(6)]	$3,500	$25,000	As incurred	Varies times	Vendors
Office Lease[(7)]	$1,000	$10,000	As incurred	As negotiated	Landlord
Leasehold Improvements/ Construction[(8)]	$0	$20,000	Negotiable	Negotiable	Landlord and Contractors
Furniture, Fixtures, and Equipment[(9)]	$5,000	$20,000	Lump Sum Negotiable	As Invoiced	Vendors
Insurance, Security and Utilities Deposits, Dues, Licenses[(10)]	$2,500	$10,000	Lump Sum Negotiable	As Incurred	Landlord/ Utilities
Exterior Office Signage	$500	$10,000	As incurred	At delivery	Vendors
Additional Funds– [(11)]	$25,000	$50,000	As incurred	First 3 months of operations	Suppliers, Utilities
TOTAL[(12)]	**$65,500**	**$205,000**			

Notes:

(1) **Estimated Expenses**. The high and low ranges in the table are based on an average for a one office HomeSmart Real Estate Brokerage Business for the first three months of operations. If you open Branch Offices, your costs for opening each Branch Office will be similar to these costs, other than a Branch Office Fee will be paid instead of an Initial Franchise Fee. Fees and expenses paid to vendors or other third parties may or may not be refundable depending on the arrangements you make with them.

(2) **Initial Franchise Fee & Branch Office Fees**. The Initial Franchisee Fee is $20,000 for a standard franchise, plus $10,000 for each Branch Office in your Territory. The Initial Franchise Fee is due when you sign the Franchise Agreement. The Branch Office Fee is due immediately prior to the opening of each Branch Office. These fees are non-refundable once paid except as provided in Item 5.

(3) **Travel and Living Expenses While Training**. We provide training for two (2) people for between three (3) to five (5) business days at our corporate office located in Scottsdale, Arizona or at another location designated by us. You must pay for airfare, meals, transportation costs, salaries, benefits, lodging and incidental expenses for all initial training program attendees. You will be required to pay a training fee (See Item 5) to Us if you request that we provide training to more than two (2) people.

(4) **Computer Hardware and Software**. The estimated initial investment includes costs related to the purchase of specified computer Hardware and Software. If we require, you must provide us with electronic access to certain daily information.

(5) **Supplies**. Your initial supplies will typically include form contracts, signs, and marketing materials. We have the right to change the supplies at any time.

(6) **Opening Promotional Expenses**. These figures represent an estimate of the costs associated with opening and promoting your HomeSmart Real Estate Brokerage Business and include business cards, stationary, nametags, pre-event kick-off dinner, promotional event, promotional materials, catering, entertainment, etc.

(7) **Office Lease**. You must lease space in a commercial office building from which to operate your HomeSmart Real Estate Brokerage Business. We do not provide you with any site selection assistance in this process. We must approve your proposed Central Office and Branch Office locations.

(8) **Leasehold Improvements/Construction**. Your office space must satisfy appearance and size standards that we have established and meet the requirements necessary to conduct a HomeSmart Real Estate Brokerage Business. You must open the Central Office within 120 calendar days from the date you sign the Franchise Agreement, unless we otherwise approve additional time in writing. The actual cost of the office space and improvements will depend on whether you lease or purchase the space, the size, condition and location of the Central Office premises, the demand for the premises among prospective lessees and the type of tenant finish or improvement you choose.

(9) **Furnishings, Fixtures and Equipment**. You will have to purchase or lease furnishings, fixtures and equipment for your office location. We do not provide you with any assistance in this process, and we do not have any relationships with vendors that may be of use to you in this process.

(10) **Insurance, Security and Utilities Deposits, Dues, Licenses**. These amounts include the cost of insurance, estimated security deposit for your office (equal to one months' rent) and utility deposits. The actual amount of your insurance and these deposits will vary depending on local landlord practices and other factors. These amounts also include the estimated cost of obtaining a license from a state agency to act as a real estate broker and dues to local, state and national real estate organizations.

(11) **Start-Up Expenses and Working Capital**. This is for budgeting purposes only to account for unanticipated expenses. This amount includes estimated operating expenses you should expect to incur during the first three months of operations, not including any revenue generated by your HomeSmart Real Estate Brokerage Business. It includes Office lease expenses, royalties, advertising, payroll costs, deposits, fees for city, state and local business licenses, business entity organization expenses, other prepaid expenses, accounting and professional fees, and other operational expenses. These figures do not include any taxes that you may pay. You should check with your local and state governmental agencies for any taxes that may be assessed.

(12) **Total Estimated Initial Investment**. These figures are estimates only and reflect only the first three months of operations. You should review these figures carefully with a business advisor before making any decision to purchase the HomeSmart Real Estate Brokerage Business. You may incur additional expenses starting your HomeSmart Real Estate Brokerage Business. Your costs depend on several factors, including how well you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our Services; the prevailing wage rate; competition; and sales levels reached by your HomeSmart Real Estate Brokerage Business during the initial period.

The figures above are estimates of your initial investment and are based on our estimate of nationwide costs and market conditions prevailing as of the date of this Franchise Disclosure Document. You must bear any deviation or escalation in costs from the estimates that we have given. You should review these figures carefully with a business advisor before making any decision to purchase a franchise. Many factors that are unique to your location can make a dramatic difference in the estimates provided. The availability and terms of financing depend on several factors, including the availability of financing generally, your creditworthiness, collateral you may have and lending policies of financial institutions.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We have standards and specifications for your Office, equipment, dress code, supplies, forms, Services, advertising and marketing materials, signage, and most other services and Products used in, sold or provided through your HomeSmart Real Estate Brokerage Business. To maintain our standards of consistent, high quality Services, customer recognition, advertising support, value and uniformity in HomeSmart Real Estate Brokerage Businesses, you must purchase or lease all of your required equipment, Software, Hardware, supplies, fixtures, Services and Products used in or sold through your HomeSmart Real Estate Brokerage Business, per our specifications and standards, only from us or our Approved Suppliers and distributors. None of our Affiliates are the only approved supplier in any category of Products or Services. With the exception of the arts graphics package that we will provide you, we are not an approved supplier, but we reserve the right to become an approved supplier at any time. Our parent, HomeSmart Holdings, Inc. owns an economic interest in Smart Referral Network, LLC, an approved provider of referral management and lead generation services, VirtuSmart, LLC, an approved supplier of hardware, software, and printing services, HomeSmart University, LLC, an approved supplier of real estate education services, Equitable Title Agency, LLC, an approved supplier of title agency services, Equitable Escrow, Inc., an approved supplier of escrow services, On the Run Printing, LLC, an approved supplier of printing services and Finco Mortgage, LLC dba Minute Mortgage, an approved supplier of mortgage services, and HS Brokerage Holdings, LLC, which directly or through its subsidiaries provides referral management services. We may derive revenue from your purchases or leases of computer related Hardware, Software, goods, services, supplies, fixtures, equipment, inventory and Products from our Approved Suppliers and distributors; however, we do not currently anticipate having any such agreements in place with any Approved Suppliers. You must buy computers, Software, Hardware, computer related services, Products, equipment, supplies, fixtures, inventory, goods and services ("Required Products and Services") that meet our requirements as detailed in the Operations Manual. In some instances, you will be required to purchase certain Required Products and Services from us or from specific suppliers previously approved by us ("Approved Suppliers") and/or specific providers designated by us, including us and our Affiliates ("Designated Suppliers"). Approved Suppliers and Designated Suppliers will be identified in the Operations Manual. If we have appointed Approved Suppliers or Designated Suppliers with respect to Required Products or Services, you may not purchase such Product or Service from anyone other than an Approved Supplier or Designated Supplier without prior written approval. We will respond to requests for approval to do so within 30 days from the date the request is received. You must submit all information, specifications, and samples that we may request regarding a supplier, service, or Product proposed by you. The general criteria we apply in approving a proposed supplier involve the ability of the supplier to provide sufficient quantity of Product at a competitive price and the proposed supplier's dependability and general reputation. We may revoke approval of an Approved Supplier if that supplier no longer meets these general criteria.

We estimate that the purchase of these computers, Software, Hardware, computer related services, supplies, equipment, inventory, fixtures, goods, services and Products from us or our designated or approved sources, or those meeting our standards and specifications, will be approximately 25% to 50% of your total cost to establish a HomeSmart Real Estate Brokerage Business and 25% to 50% of your total cost of operating a

HomeSmart Real Estate Brokerage Business (not including amortization, depreciation, or replacement of worn or obsolete improvements, equipment or fixtures).

In our last fiscal year that ended December 31, 2022, 21 new franchised outlets were opened.

In the calendar year ending December 31, 2022 and as of the effective date of this disclosure document, neither we or our affiliates derive any revenues, rebates or other material consideration from the sale of required goods and services to franchisees.

Franchisees must license from us or our Affiliates, Approved Suppliers, or Designated Suppliers certain proprietary computer programs and related materials developed for use in the operation of HomeSmart Real Estate Brokerage Business ("**Software**"). We may require you to pay a separate license fee for the Software, as set forth in Item 11. We also charge you a Technology Fee with respect to the Software and other technology employed at your HomeSmart Real Estate Brokerage Business.

You may use the Software only on computer equipment and Hardware purchased through our Affiliates, Designated Suppliers, Approved Suppliers, or obtain our written approval to purchase other equipment. We will respond to requests for approval to purchase equipment other than the Computer System within 30 days from the date the request is received.

We do not have any purchasing or distribution co-operatives as of the date of this Franchise Disclosure Document. We may negotiate purchase arrangements with suppliers and distributors of approved Products for the benefit of our franchisees and we reserve the right to receive rebates and other payments or volume discounts based on your purchases from these suppliers and distributors and from our purchase of Products that we may re-sell to you. We do not provide material benefits, such as renewing or granting additional franchises to franchisees, based on their use of our Affiliates, Designated Suppliers, or Approved Suppliers.

Insurance

General Liability and Business Insurance

You must procure and maintain, at your own expense, insurance policies protecting you, us, our designated Affiliates, and the owners, officers, directors and employees of us and our designated Affiliates against any loss, liability, errors and omissions, business interruption, personal injury, death, property damage, or expense resulting from the operation of your HomeSmart Real Estate Brokerage Business and all services you provide in connection with the operation of your HomeSmart Real Estate Brokerage Business as we may require for your and our protection in amounts set forth in the Operations Manual and Franchise Agreement (which may be adjusted periodically).

Cyber and Privacy Insurance

You shall use your best efforts to protect your customers against a cyber-event including, without limitation, a data breach or other identity theft or theft of personal information (collectively, a "**Cyber Event**"). Specifically, you shall comply with, among other laws and regulations: (i) state and federal laws and regulations relating to data privacy, data security and security breaches; and (ii) our security policies and guidelines, as may be amended from time to time (collectively, "**Data Safeguards**"). In addition to the general liability and business insurance, you must also procure and maintain, at your own expense, insurance policies protecting you, us, our designated Affiliates, and the owners, officers, directors and employees of us and our designated Affiliates against any loss, liability or expense related in any way to a Cyber Event or failure to comply with any Data Safeguard resulting from the operation of your Real Estate Brokerage Business and all services you provide in connection with the operation of your Real Estate

Brokerage Business as we may require for your and our protection in amounts set forth in the Operations Manual and Franchise Agreement (which may be adjusted periodically).

Insurance Coverage Amounts and Other Requirements

You must carry, at all times, broad form comprehensive general liability coverage against claims for employment practices coverage, bodily and personal injury, death, property damage, cyber event or crime, and privacy or identity theft caused by or occurring in conjunction with the conduct of business by you pursuant to this Agreement and broad form contractual liability coverage, including errors and omissions coverage, under one or more policies of insurance containing minimum liability coverage prescribed by us from time to time, but in no event in an amount less than $1,000,000 per occurrence/$2,000,000 aggregate. You must carry, at all times, no less than $1,000,000 per occurrence/$2,000,000 aggregate in Commercial General Liability ("**CGL**") insurance coverage and a $1,000,000 Cyber Policy protecting you and us against a Cyber Event arising from your operation of your HomeSmart Real Estate Brokerage Business. You must add Franchisor, its officers, directors, employees, agents, and contractors as additional insureds to each of those policies. You must also procure and maintain all other insurance required by state or federal law. We may periodically increase the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time including excess liability insurance to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. The policies must also stipulate that we receive a 30-day prior written notice of cancellation or non-renewal and must contain endorsements by the insurance companies waiving all rights of subrogation against us. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to us including original endorsements affecting the coverage required by us will be furnished to us together with proof of payment within 10 days of issuance. You will also furnish us with certificates and endorsements evidencing this insurance coverage within 10 days after each of the following events: at all policy renewal periods, no less often than annually, and at all instances of any change to, addition to, or replacement of any insurance. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are subject to approval by us. If you fail to procure and maintain the required insurance coverage, we have the right and authority to procure the insurance coverage on your behalf and charge you, which charges, together with a reasonable fee for our expenses incurred in this procurement, you will pay immediately upon notice.

The insurance policies required herein shall: (a) name us, as well as our officers, directors, employees, agents and contractors, as an additional named insureds and contain a waiver of all subrogation rights against the foregoing insureds, our affiliates, and our and their successors and assigns; (b) provide for thirty (30) days' prior written notice to us of any material modification, cancellation, or expiration of such policy; (c) provide that the coverage applies separately to each insured against whom a claim is brought as though a separate policy had been issued to each insured; (d) contain no provision which in any way limits or reduces coverage for you in the event of a claim by any one or more of the parties indemnified under this Agreement; (e) be primary to and without right of contribution from any other insurance purchased by the parties indemnified under this Agreement; (f) extend to and provide indemnity for all obligations assumed by you hereunder and all other items for which you are required to indemnify us under this Agreement.

You shall provide us with evidence of the insurance required hereunder not later than ten (10) days before you begin operating as a Franchisee and with a complete copy of each insurance policy no more than thirty (30) days after delivery of the original proof of insurance. Should you, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by us in writing, we shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance and to charge same to you, which charges shall be payable by you immediately upon notice together with a fifteen percent (15%) administrative fee. The foregoing remedies shall be in addition to any other remedies we may have at law or in equity.

The maintenance of sufficient insurance coverage shall be your responsibility. Your obligations to maintain insurance coverage as herein described shall not be affected in any manner by reason of any separate insurance maintained by us nor shall the maintenance of such insurance relieve you of any indemnification obligations under this Agreement.

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 in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 1 and Section 9	ITEM 11
b. Pre-opening purchases/leases	Sections 9 and 10	ITEM 8 & ITEM 11
c. Site development and other pre-opening requirements	Section 9	ITEM 6, ITEM 7 & ITEM 11
d. Initial and ongoing training	Sections 8 and 9	ITEM 11
e. Opening	Section 9	None
f. Fees	Sections 6, 7 and 12	ITEM 5 & ITEM 6
g. Compliance with standards and policies/Operations Manual	Section 9	ITEM 11
h. Trademarks and proprietary information	Section 11	ITEM 13 & ITEM 14
i. Restrictions on services offered	Sections 9 and 10	ITEM 8 & ITEM 16
j. Warranty and customer service requirements	None	None
k. Territorial development and agent quotas	Section 5	ITEM 11 & ITEM 12
l. Ongoing purchases	Section 9 and 10	ITEM 6
m. Maintenance, appearance and remodeling requirements	Sections 4 and 9	ITEM 7
n. Insurance	Section 13	ITEM 8
o. Advertising	Section 12	ITEM 11
p. Indemnification	Sections 11 and 13	None
q. Owners participation/Management/ staffing	Section 9	ITEM 15
r. Records/reports	Section 7	ITEM 6 & ITEM 17
s. Inspection/audits	Sections 7, 8 and 9	ITEM 6
t. Transfer	Section 16	ITEM 17

Obligation	Section in Franchise Agreement	Disclosure Document Item
u. Renewal	Section 4	ITEM 17
v. Post-termination obligations	Sections 11, 15 and 18	ITEM 17
w. Non-competition covenants	Section 15	ITEM 17
x. Dispute resolution	Section 20	ITEM 17

ITEM 10: FINANCING

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

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

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

Pre-opening Obligations

Before you open your HomeSmart Real Estate Brokerage Business, we (or our designee) will provide the following assistance and services to you.

- Designate your Territory. (Section 8.3(a) of the Franchise Agreement and **Attachment 1** to the Franchise Agreement).

- Furnish you with (or provide you with the ability to acquire from approved vendors or suppliers) specific items for the design and physical appearance of your Office and the supplies required for the operation of the business. (Section 8.3(c) of the Franchise Agreement).

- Within 90 days of your signing of the Franchise Agreement and your receipt of all required licenses and permits, we will conduct a three (3) to five (5) business days training course for you and one additional person in Scottsdale, Arizona or at another location of our selection. The training program may or may not be conducted on consecutive days. If you are not an individual, we will conduct a three (3) to five (5) day business training course for your Designated Business Manager in Scottsdale, Arizona or at another location designated by us. (Section 8.3(d) of the Franchise Agreement).

- Approve the renovations to your Office necessary to comply with our standards and specifications and your compliance with the opening procedures for your Office, as described in the Operations Manual. (Section 9.2(b) of the Franchise Agreement).

Continuing Obligations

During the term of the Franchise Agreement, we (or our designee) will provide the following assistance and services to you:

- Make a representative available to speak with you on the telephone during regular business hours to discuss your operational experiences and support needs. Provided, however, that questions regarding technological support will be referred to third parties (including but not limited to our

Affiliates) who may charge a fee for providing you with these technological support services (Section 8.4(a) of the Franchise Agreement).

- Inform you of mandatory specifications, standards and procedures for the operations of your HomeSmart Real Estate Brokerage Business. (Section 8.4(d) of the Franchise Agreement).

- Research new services and methods of doing business and provide you with information concerning developments of this research. (Section 8.4(e) of the Franchise Agreement).

- Maintain the FMAF and use these funds to develop promotional and advertising programs and public relations support for HomeSmart Real Estate Brokerage Businesses. (Sections 8.4(f) and 12.1 of the Franchise Agreement).

- Maintain the HomeSmart+ Plan in accordance with Section 6.8 of the Franchise Agreement, under which contributions from participating franchisees to compensate franchisees and their Agents for the sponsoring of producing Agents into Office Locations, as described in the Franchise Agreement.

- Provide advertising materials to you in the form of an arts graphics package, which is included in your Operations Manual. (Section 8.4(g) of the Franchise Agreement).

- Our representatives will have the right but not the obligation to provide additional assistance. (Section 8.4(h) of the Franchise Agreement). There may be additional charges for these services. If we provide additional assistance, we must agree in advance on the charges you will pay and the length of the visit.

- We may choose to provide you with continuing national, regional or local workshops and seminars. You must pay the conference fee, if any, and all travel and living expenses. We require that you or your Designated Business Manager attend these conferences. These conferences will be held at our Scottsdale, Arizona headquarters, your Office, or at a location chosen by us. (Section 8.4(b) of the Franchise Agreement).

- We may provide you with a monthly newsletter. (Section 8.4(i) of the Franchise Agreement).

Operations Manual

You must establish and operate your HomeSmart Real Estate Brokerage Business in compliance with your Franchise Agreement and the standards and specifications contained in the HomeSmart confidential operations manual ("**Operations Manual**") loaned to you by us. The Operations Manual consists of one or more manuals, technical bulletins or other written materials and may be modified by us periodically. The Operations Manual may be in printed or in an electronic format. We reserve the right to require you to use an electronic version of the Operations Manual. We also reserve the right to require you to access the document using the Internet or an intranet created and supported by us. You will have the opportunity to view the Operations Manual at our headquarters before purchasing a franchise, provided you agree in writing to keep its content confidential. The Operations Manual contains approximately 300 pages. The Table of Contents for the Operations Manual is attached to this Franchise Disclosure Document as **Exhibit F**.

Training

We provide an initial training program lasting between three (3) and five (5) business days. The initial training program is usually conducted at our corporate headquarters located in Scottsdale, Arizona, but the training course may be held elsewhere in the future.

Under the Franchise Agreement, before you begin operating your HomeSmart Real Estate Brokerage Business, you or, if you are not an individual, a "**Designated Business Manager**," must attend and successfully complete to our satisfaction our initial training program. If the Designated Business Manager's employment with you is terminated, you must designate a new Designated Business Manager who must successfully complete our initial training program within 90 days after the termination of the initial Designated Business Manager. If we do not hold an initial training program during that 90-day period, the replacement Designated Business Manager must attend and successfully complete the first available initial training program held by us. You may be charged a training fee for a replacement Designated Business Manager. You must also pay the costs for airfare, ground transportation, lodging, meals, personal expenses, and the Designated Business Manager's salary and benefits.

There is no tuition or fee for the initial training program for you and one additional representative such as a Designated Business Manager or business partner, etc. If you desire to have additional people attend the initial training program, there will be a $500 per person training fee. We do not pay any travel expenses, lodging, meals, ground transportation or other personal expenses.

Our training program consists of between three (3) and five (5) business days, which may or may not be consecutive days, of training as follows:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
History and Overview of the Systems; Office Tour	8	0	Scottsdale, Arizona or your Central Office (in our discretion)
Technology Training	12	0	Scottsdale, Arizona or your Central Office (in our discretion)
Fiscal Management and Office Management	8	0	Scottsdale, Arizona or your Central Office (in our discretion)
Recruiting and Retention; Standards and Quality Control; Risk Management	8	0	Scottsdale, Arizona or your Central Office (in our discretion)
Business Plan Strategy Session	4	0	Scottsdale, Arizona or your Central Office (in our discretion)
TOTAL	**40**	**0**	

The initial training program and other on-going training will be conducted by training personnel under the direction of our Chief Industry Officer, Todd Sumney who has been with HomeSmart since May 2014. We may change training personnel as necessary. We may delegate our duties and share our responsibilities with regard to training. Training classes are generally held every other month or as needed. The hours of

classroom training and hours of on-the-job training are estimates and may, in certain circumstances, be slightly shorter or slightly longer than the actual classroom or on-the-job training.

Our Operations Manual and workbook serve as the primary instructional materials during the training program. We may present seminars, conventions or continuing development programs for the benefit of Franchisees. Your attendance is mandatory. You must pay for any conference fee and your travel and living expenses incurred in attending any seminar.

ADVERTISING PROGRAMS

Franchise Marketing Accrual Fund ("FMAF")

All HomeSmart Real Estate Brokerage Businesses are required to pay to us a Franchise Marketing Accrual Fund ("**FMAF Contribution**"). The FMAF Contribution is four percent (4%) incorporated into the monthly Royalty Fee that you pay.

The FMAF will be accounted for separately by us but we are not required to maintain the FMAF funds in a separate or segregated account at a bank or other financial institution. The FMAF is administered by us. Any unused funds in any fiscal year will be applied to the following fiscal year's funds. We reserve the right to contribute or loan additional funds to the FMAF on any terms we deem reasonable. Each company-owned or Affiliate-owned outlet offering Products and services similar to the HomeSmart Real Estate Brokerage Business you will operate will make contributions to the FMAF equal to the contributions required of HomeSmart Real Estate Brokerage Businesses within the System. This fund is unaudited and we will make available to you once a year, upon request by telephone or written correspondence, an unaudited annual accounting for the FMAF that shows how the FMAF proceeds have been spent for the previous year within 120 days after our fiscal year end. We do not provide a periodic accounting of how Marketing Fees are spent.

We may use the Marketing Fees we collect from franchisees to create marketing materials relating to the System and the services sold by our Franchisees; to pay for public relations projects intended to enhance the goodwill and public image of the System; to assist Franchisees in developing local marketing programs; to pay for the cost of placing marketing materials in various print, broadcast and Internet media; to undertake any other marketing efforts we deem necessary or beneficial to the System; and to reimburse us or our Affiliates for salaries and overhead expenses related to the marketing services provided to Franchisees and to cover part of the cost of maintaining the website. No advertising expenditures from the FMAF are devoted principally to the sale of new franchises. We will attempt to spend monies contributed to the FMAF in such a way as to provide advertising benefits to all participating HomeSmart Real Estate Brokerage Businesses, but we make no guarantees that you will benefit pro rata or at all from your contributions to the FMAF. We reserve the right to allocate Marketing Fees to various permitted uses as we see fit and we do not guarantee that you will receive equal benefits or identical coverage. Neither we nor our Affiliates receive payment for providing goods or services to the FMAF, except for reimbursement of expenses as described above.

During the 2021 fiscal year, we spent the Marketing Fees as follows: 70.3%-Marketing and Advertising; 0.3%-Promotional Materials; 29.4%-Creative Development; 0%-Reserved for Ongoing Marketing and Advertising Programs.

Local Advertising

You must agree to spend money for local advertising and promotions in your Territory ("**Local Advertising**") in accordance with local real estate brokerage marketing standards and practices. All Local Advertising by you must be conducted in a dignified manner and shall conform to the standards and

requirements set forth in the Franchise Agreement and Operations Manual or otherwise for use of the Marks. You must promptly discontinue use of any advertising or promotion plans or materials that do not meet the requirements of the Franchise Agreement or Operations Manual, whether or not previously approved, upon notice from us. You may, at your sole expense, plan and carry out a grand opening promotion relating to the opening of your HomeSmart Real Estate Brokerage Business. Within 30 days after written request from us, you must submit a report showing the amount you spent for Local Advertising during the preceding year and documents substantiating that you incurred and paid particular expenditures during the year. None of the Local Advertising payments made by you will be used by us in the advertising or promotion of individual franchise sales.

Cooperatives

We also may designate any geographic area in which two or more HomeSmart Real Estate Brokerage Businesses are located as a region for establishing an advertising cooperative ("**Cooperative**"). The members of a Cooperative will consist of all HomeSmart Real Estate Brokerage Businesses, whether franchised or operated by us, or other Affiliates that operate in an area determined by us. We will determine in advance how each Cooperative will be organized and governed, who will administer it, and when it must start operation. Each Cooperative will be organized for the sole purposes of administering advertising programs and developing, subject to our approval, promotional materials for use by the members in Local Advertising. If a Cooperative has been established for a geographic area where your HomeSmart Real Estate Brokerage Business is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, you must become a member of the Cooperative and abide by the rules of the Cooperative. We reserve the right to form, change, dissolve or merge any Cooperative.

If we have established a Cooperative for your area, you must contribute to the Cooperative the amounts required by its written governing documents. All contributions to the Cooperative will be maintained and administered in accordance with the written documents governing the Cooperative. If there are Company-owned and Affiliate-owned outlets in your area offering Products and Services similar to the HomeSmart Real Estate Brokerage Business, they will make contributions to the Cooperative equal to the contributions required of the HomeSmart Real Estate Brokerage Businesses within that area. The Cooperative will be operated solely as a conduit for collecting and spending Cooperative fees for the purposes outlined above. The Cooperative may not use any advertising or promotional plans or materials without our prior approval.

The amount of contribution, and whether other franchisees must contribute the same amount or at the same rate, will be determined by the members of the Cooperative, subject to our approval. We anticipate that each member will have one vote for each Central Office and Branch Office of the HomeSmart Real Estate Brokerage Business operated by the member within the geographic area subject to the Cooperative. You will be obligated by the Franchise Agreement to pay any increased contributions even if you vote against the increase. Each Cooperative will have to prepare an annual financial statement reporting its expenditures for the previous year to its members. If a Cooperative is established, we will provide you with a copy of the governing documents and its financial statements.

We have not created any Cooperatives as of the date of this Franchise Disclosure Document.

Franchise Owners Advisory Council

The Franchise Owners Advisory Council ("**Council**") will have up to three (3) representatives who are appointed by the Franchisor. The Council is tasked with creating a program for electing new Council representatives on a regular basis. The Council will serve in a purely advisory capacity on many matters, including advertising. We will have the power to change or dissolve the Council at any time.

Office Location

You must operate the HomeSmart Real Estate Brokerage Business from a conventional office located outside of any personal residence. The office must be located within your Territory and must exist solely and exclusively for the operation of the HomeSmart Real Estate Brokerage Business. These requirements apply to both your Central Office and any Branch Office. If we approve any office location, such approval indicates only that we believe the office falls within the acceptable criteria we have established as of the approval date.

Based on the requirements of the Franchise Agreement, the factors we consider for such approval are: whether the office is located in your Territory; if it is located in a conventional office located outside of any personal residence; if it is used solely and exclusively for the operation of the HomeSmart Real Estate Brokerage Business; and if it is located sufficiently far enough away from any office of another HomeSmart franchisee as we determine. We do not select your Office Location, assist you in conforming it to local ordinances and building codes, assist you with constructing or decorating it, or provide for any necessary equipment, signs or fixture. It is your obligation to locate a site for your Central Office and any Branch Office(s) and to provide us with all necessary information in accordance with the timing requirements established in the Franchise Agreement so that we may approve such office in time for you to open your HomeSmart Real Estate Brokerage Business in accordance with the requirements established in the Franchise Agreement. Specifically, if you fail to open your Central Office within 4 months of executing the Franchise Agreement, we may terminate the Franchise Agreement. Branch Offices must be opened according to the cumulative number established for each year of the Term as set forth in **Attachment 1** to the Franchise Agreement. If at any time you do not open the requisite number of Branch Offices by the end of the year, you may lose your rights to the Territory and/or we may authorize other franchisees to open Branch Offices in your Territory.

You must comply with all applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. You must apply for all required real estate or brokerage licenses and permits within 10 business days after signing the Franchise Agreement. If you do not receive all required licenses and permits within 6 months of executing the Franchise Agreement, we may terminate the Franchise Agreement.

You may not operate out of a virtual, temporary, or short term office location (a "Short Term Location") (defined as any location where you have secured the location for less than six (6) months) unless you receive prior written permission from the Franchisor. Franchisor may, in its sole discretion, approve or disapprove of such an arrangement provided that, under no circumstances, shall such arrangement be approved for a period of time exceeding six months.

You must secure an Office Location for at least one (1) year in order to establish a Territory (See Item 12). The opening of a Short Term Location will not establish a Territory.

Schedule for Opening and Site Selection Requirements

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of your HomeSmart Real Estate Brokerage Business will be 1 to 4 months. However, we may grant you an extension up to a total of 180 days. Some factors which may affect this timing are: your ability to acquire an office location through lease negotiations; your ability to secure any necessary financing; your ability to comply with local zoning and other ordinances; your ability to obtain any necessary permits and certifications; the timing of the delivery of equipment, tools and inventory; and the time to convert, renovate or build your office. You must open your Central Office within 6 months after signing the Franchise Agreement unless we otherwise consent in writing (Section 9.12, Franchise Agreement).

You may not open your Central Office or any Branch Office until: we notify you in writing that all of your pre-opening obligations have been fulfilled; initial training is completed to our satisfaction; all amounts due to us have been paid; we have been furnished with copies of all insurance policies and certificates required by the Franchise Agreement, or other documentation of insurance coverage and payment of premiums that we request; you notify us that all approvals and conditions set forth in the Franchise Agreement have been met; you have received all required permits and licenses; you have ordered, received and installed your equipment, supplies, inventory and Computer System; and you have provided evidence that your agents are licensed to sell real estate in your state. However, you are not required to immediately associate with or hire licensed real estate agents upon the establishment and opening of your HomeSmart Real Estate Brokerage Business. You must be prepared to begin operating your HomeSmart Real Estate Brokerage Business immediately after we state that your HomeSmart Real Estate Brokerage Business is ready for opening.

You must open the number of Branch Offices in the Territory according to the schedule outlined in **Attachment 1** to the Franchise Agreement, which has been mutually agreed upon by the parties as a fair and accurate number of Branch Offices that you have the resources and capability of opening during the Initial Term. For each Branch Office that you desire to open, you will propose a location for the Office, which we must approve. Your failure to open the requisite number of Branch Offices by the end of each year in the schedule outlined in **Attachment 1** to the Franchise Agreement may result in the reduction or elimination of your Territory or the termination of the Franchise Agreement, as we determine.

Software and Computer Equipment

You must purchase and use computer Hardware and Software required by us in conjunction with the RealSmart Broker™. Currently, you must purchase at least one desktop computer (or a similar machine with similar specifications) for your administrative computers and at least one additional computer for your general Agent computers ("**Hardware**"), each of which must run an operating system capable of running the RealSmart Broker™ and any related Software and connecting to the Internet. The Hardware, RealSmart Broker™ and the Software associated with these systems are referred to collectively as the "**Computer System**." The estimated total cost of purchasing the Computer System is $5,000 to $30,000. The Computer System will store basic industry-required information including but not limited to housing addresses, transactional details, and other information required by multiple listing services and the state in which you operate your Real Estate Brokerage Business. Your agents will be responsible for obtaining their own Hardware and Software.

Currently, you must pay a license fee for the use of the RealSmart Broker™ and other technology that we provide to you ("**Technology Fee**") equal to $250 per month (for a total of $3,000 per year) per System instance of the RealSmart Broker™. We reserve the right to increase the Technology Fee during each year of the Initial Term, and any Successor Term and Interim Period by any amount determined by us, but not to exceed $50 per Office each month. You may purchase additional Software and support as they become available. We will require you to upgrade your Computer System or incur costs related to the maintenance of your Computer System as prescribed in the Operations Manual and as modified periodically by us. Such upgrades, in some cases, may only be available through our suppliers or Affiliates. We may change the Designated Suppliers or Affiliates periodically on written notice to you.

We provide you with a technological service that incorporates the data generated by your multiple listing service ("**MLS**") into your RealSmart Broker™. You must also pay to us a fee for this service ("**MLS/RETS Fee**"), which is currently $250 per MLS per month for your HomeSmart Real Estate Brokerage Business. You are also responsible for any initial, testing or ongoing connection fees charged by your local MLS for the provisioning of data outside the scope of the purpose of the MLS/RETS Fee.

You must have sufficient computer skills to be able to operate your Computer System and to access e-mail and the Internet. You must have access to the Internet and maintain an email account that allows us to communicate with you on a regular basis. You must check your email account several times every business day. If we determine that you require additional computer training, you must take and pay for, at your own expense, a computer training course at a local computer training school (which may be our Affiliate). You must complete this training within 90 days of the day we advise you of this requirement, and you must present us with a certificate acceptable to us to show that you passed the course.

We have the right to independently access your electronic information and data through our proprietary RealSmart Broker™. We also have the right to collect and use your electronic information and data in any manner we choose in order to promote the development of the System and the sale of franchises. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system.

You are solely responsible for protecting yourself from viruses, computer hackers, and other communications and computer-related problems, and you may not sue us for any harm caused by these communications and computer-related problems.

ITEM 12: TERRITORY

You will be granted a territory ("**Territory**") in which to locate your Central Office(s) and Branch Office Locations. We will negotiate the size of your Territory and the number of Branch Offices you must open in your Territory, if any, before executing the Franchise Agreement. Your Territory may be based on geographic or political boundaries (including but not limited to city, zip code, county or state boundary lines) and other characteristics including natural boundaries, and the amount and size of urban, suburban and rural areas. We have the exclusive right to determine the boundaries of your Territory.

During the Initial Term of the Franchise Agreement, once you have identified a Central Office for your HomeSmart Real Estate Brokerage Business and secured that location for no less than one (1) year, so long as you comply with all of your obligations under the Franchise Agreement, and subject to our reservation of rights and the Annual Agent Quota requirement (discussed below), we will not open a competing HomeSmart Real Estate Brokerage Business within your Territory.

The number of Branch Offices that you commit to opening in your Territory, as mutually agreed by us, will be based on subjective factors of your Territory. These subjective factors may include the geography, population and demographics, and the level of residential real estate transaction activity or home ownership that exists or may exist within your Territory. These factors do not lend themselves to a set formula for determining the number of Branch Offices that should be opened in a Territory, and that is why we will agree upon a number of Branch Offices prior to signing your Franchise Agreement. For each Branch Office that you desire to open, you will propose a location for the Branch Office to us, and we have the right to approve or deny the location you propose to use. You may relocate a Branch Office within your Territory after we approve the location you propose to use.

We have the right to approve or deny the relocation of that Branch Office based on the following factors: whether the office is located in your Territory; if it is located in a conventional office located outside of any personal residence; if it is used solely and exclusively for the operation of the HomeSmart Real Estate Brokerage Business; and if it is located sufficiently far enough away from any office of another HomeSmart franchisee as we determine. If applicable, we will use the most recent data available from the National Association of Realtors to determine the number of licensed Agents within a Territory.

The grant of the license to you does not in any way prohibit other franchisees or us and our agents and Affiliates from listing and selling real property in your Territory (at no compensation to you). Also, the

grant of the license does not prohibit you from listing or selling real property in a Territory granted to another franchisee or anywhere else outside of your Territory. You may use other channels of distribution to market outside of your Territory, as long as the rights to those channels are not currently reserved by us, as described below. For soliciting or selling Products or Services to customers outside of your Territory via the Internet or e-commerce, you may not independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique, or otherwise establish any presence on the Internet without our prior written approval.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Customers from your Territory may purchase or obtain Services from other franchisees and from us and our Affiliates or designees over the Internet, or in other reserved channels of distribution, at no compensation to you. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Under your Franchise Agreement, you do not receive any options for additional franchises, any rights of first refusal to acquire additional franchises, or any similar rights to buy additional franchises.

To maintain your Territory, you must meet the Annual Agent Quota requirement (Section 5.4 of the Franchise Agreement) which establishes the number of Agents that must be employed by or associated with your HomeSmart Real Estate Brokerage Business. The Annual Agent Quota will be negotiated at the time that you execute the Franchise Agreement and will be based upon the size of your Territory and other factors including population, activity, and local and national economic conditions. During 2021, the agreed upon Annual Agent Quota with new franchisees ranged from approximately 25 to 125 agents per year.

You must also open the negotiated number of Branch Offices in your Territory, which will reflect, as mutually agreed by us, a fair and accurate number of the Branch Offices that you have the resources and capability of opening during the term of the Franchise Agreement. For each Branch Office you want to open, you must propose a location, which is subject to our approval. Your failure to satisfy the Annual Agent Quota, or open the number of agreed upon Branch Offices may result in the reduction or elimination of your Territory or the termination of your Franchise Agreement.

We reserve the right, among others: (i) to own, franchise, or operate HomeSmart Real Estate Brokerage Businesses at any location outside of the Territory, regardless of the proximity to your HomeSmart Real Estate Brokerage Business; (ii) to use the Marks and the System to sell any Products or services, similar to those, which you will sell, through any alternate channels of distribution within or outside of the Territory at no compensation to you. This includes, but is not limited to other channels of distribution such as television, mail order, catalog sales, or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce; (iii) to use and license the use of other proprietary and non-proprietary Marks or methods which are not the same as or confusingly similar to the Marks, whether in alternative channels of distribution or in the operation of a real estate brokerage business, at any location, including within the Territory, which may be the same as, similar to or different from the HomeSmart Real Estate Brokerage Business operated by you; (iv) to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your HomeSmart Real Estate Brokerage Business, wherever located; (v) to acquire and convert to the System operated by us any businesses offering real estate brokerage services including those businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned and whether located inside or outside of the Territory; and (vi) to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere at no compensation to you. We also reserve the right to issue mandatory policies to coordinate these multi-area marketing programs.

ITEM 13: TRADEMARKS

The Franchise Agreement grants you the nonexclusive right to use our Marks, including the service mark "HOMESMART®", and various designs and logo marks associated with our services. You may also use our other current or future Marks as we may designate to operate your HomeSmart Real Estate Brokerage Business.

We have the following registered trademarks and pending trademark applications before the United States Patent and Trademark Office ("**USPTO**"):

Mark	Filing or Registration Date	Serial No. or Registration No.	Status
HomeSmart	**May 30, 2006**	**3,097,434**	**U.S. Federal Registration on Principal Register**
	June 1, 2010	**3,797,647**	**U.S. Federal Registration on Principal Register**
	February 9, 2010	**3,746,858**	**U.S. Federal Registration on Principal Register**
HomeSmart	**January 5, 2010**	**3,734,317**	**U.S. Federal Registration on Principal Register**

We may also use a number of unregistered, common law trademarks. You must follow our rules when you use our Marks. You may not use any of the Marks alone or with modifying words, designs or symbols as part of a corporate or business name or in any form on the Internet, including but not limited to URLS, domain names, e-mail addresses, locators, links, metatags or search techniques. You must get our prior written approval of your company name before you file any registration documents. You must indicate, as required in the Franchise Agreement and specified in the Operations Manual, that you are an independent real estate broker. Guidelines regarding proper trademark use and notices are in the Operations Manual and will be updated periodically. You may not use our Marks with an unauthorized product or service, or in a manner not authorized in writing by us.

All required renewals and affidavits have been filed and accepted by the USPTO.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or any pending material litigation involving any of our Marks that are relevant to the use of these Marks. No currently effective litigation affects our use or ownership rights in any Mark. No currently effective agreement limits our right to use or license the use of our Marks.

You must notify us immediately when you learn about an infringement of or challenge to your use of our Marks. We may take the action necessary to protect the unauthorized use of our Marks. We are not obligated to defend you against a claim involving your use of or right to use the Marks, nor to take affirmative action against any infringement. We have the sole right to control any administrative or legal proceedings concerning the Marks.

The Franchise Agreement does not require us to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you, or if the proceeding is resolved unfavorably to you.

You must modify or discontinue the use of a trademark if we modify or discontinue the Mark. You must not directly or indirectly contest our right to our Marks, Trade Secrets or business techniques that are part of our business. The Franchise Agreement does not provide you with any specific rights if we require you to modify or discontinue the use of any Marks.

From time to time in the ordinary course of business, we encounter third parties that are using and/or promoting confusingly similar brands. You should understand that there could be businesses using trademarks, trade names, or other commercial symbols similar to our Marks with superior rights to our rights. Before opening your HomeSmart Real Estate Brokerage Business, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise to avoid the possibility of having to change your HomeSmart Real Estate Brokerage Business name.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

The information contained in the Operations Manual is proprietary and is protected by copyright and other laws. The Operations Manual and the limitations of the use of it by you and your employees are described in this Disclosure Document and the Franchise Agreement. The designs contained in the Marks, the layout of our advertising materials, the content and format of any other writings or copyright and other laws also protect recordings in print or electronic form. Although we have not filed an application for copyright registration for the Operations Manual, the advertising materials, the content and format of any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information ("**Copyrighted Works**") in connection with your operation of your HomeSmart Real Estate Brokerage Business, but these copyrights remain our sole property.

There are currently no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Works of ours, nor are any proceedings pending, nor are there any currently effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit your use of our Copyrighted Works.

Our Operations Manual, electronic information and communications, sales and promotional materials, certain Software used in the HomeSmart Real Estate Brokerage Business, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of and experience in the development, operation and franchising of HomeSmart Real Estate Brokerage Businesses and Services sold at HomeSmart Real Estate Brokerage Businesses, information concerning Service sales, operating results, financial performance and other financial data of HomeSmart Real Estate Brokerage Businesses and other related materials are proprietary and confidential ("**Confidential Information")** and are considered to be our property to be used by you only as described in the Franchise Agreement or the Operations Manual. Where appropriate, certain information has also been identified as trade secrets ("**Trade Secrets**"). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and Confidential Information.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for the development of your HomeSmart Real Estate Brokerage Business during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners, if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement that we can enforce. Nothing contained in the Franchise Agreement will be construed to prohibit you from using the Confidential

Information or Trade Secrets in the operation of your HomeSmart Real Estate Brokerage Business during the term of the Franchise Agreement.

You must notify us within 3 days after you learn about another's use of language, a visual image, or a recording of any kind, that you perceive to be identical or substantially similar to one of our Copyrighted Works or use of our Confidential Information or Trade Secrets or if someone challenges your use of our Copyrighted Works, Confidential Information or Trade Secrets. We will take whatever action we deem appropriate to protect our rights in and to the Copyrighted Works, Confidential Information or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of or challenge to your use of any Copyrighted Works, Confidential Information or Trade Secrets or claim by any person of any rights in any Copyrighted Works, Confidential Information or Trade Secrets. You must not directly or indirectly contest our rights to any of our Copyrighted Works, Confidential Information, or Trade Secrets. You may not communicate with anyone except us and our counsel with respect to any infringement, challenge, or claim. We will have the right to take action as we deem appropriate regarding any infringement, challenge or claim, and the sole right to control exclusively any litigation or other proceeding arising out of any infringement, challenge or claim under any Copyrighted Works, Confidential Information or Trade Secrets. You must sign all instruments and documents, give the assistance, and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding or to protect and maintain our interests in the Copyrighted Works, Confidential Information, or Trade Secrets.

No patents are material to us at this time.

We have the right to inspect, copy and use all records with respect to the customers, suppliers, and other services providers of, and related in any way to, your HomeSmart Real Estate Brokerage Business. This includes all databases (whether in print, electronic, or other form), including all names, addresses, phone numbers, e-mail addresses, and customer purchase records. We may use or transfer the records in any way we wish, both before and after any termination, expiration, repurchase, transfer or otherwise. We may contact any or all of your customers, suppliers, and other service providers for quality control, market research, and any other purposes, as we deem appropriate.

You must disclose to us all ideas, techniques and products concerning the development and operation of the HomeSmart Real Estate Brokerage Business you or your employees conceive or develop during the term of the Franchise Agreement. You must grant to us and agree to obtain from your owners or employees a perpetual, non-exclusive and worldwide right to use these ideas, techniques and products concerning the development and operation of HomeSmart Real Estate Brokerage Business that you or your employees conceive or develop during the term of the Franchise Agreement in all real estate sales-related product and service businesses that you operate. We will have no obligation to make any lump sum or on-going payments to you with respect to any idea, concept, method, technique or product. You must agree that you will not use nor will you allow any other person or entity to use any of these ideas, techniques or products without obtaining our prior written approval.

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

If you are an individual, you must directly supervise the HomeSmart Real Estate Brokerage Business at your initial and primary franchised location ("**Central Office**"). If you are a business entity, the direct, on-site supervision of your Central Office must be done by a Designated Business Manager. Each Branch Office must also be managed by a Designated Business Manager.

If we believe you lack sufficient business experience, you must designate a Designated Business Manager to act as the operating manager for your HomeSmart Real Estate Brokerage Business. We must approve the selection of the Designated Business Manager before signing the Franchise Agreement. The Designated Business Manager must attend and successfully complete the initial training program, and must abide by the obligations in the Franchise Agreement and the Operations Manual. The Designated Business Manager must agree to assume and guarantee performance of all of your obligations, including, among others, confidentiality and non-competition.

If you are a legal or business entity, each individual who owns, directly or indirectly, a 5% or greater interest in you (and, if you are an individual, your immediate family defined as your spouse and adult children) must sign the Guaranty and Assumption of Franchisee's Obligations assuming and agreeing to discharge all of your obligations and comply with all restrictions under the Franchise Agreement and our Nondisclosure and Noncompetition Agreement attached to this Franchise Disclosure Document as Exhibit G.

Your spouse must sign a Guaranty Agreement and Consent of Spouse Agreement making your spouse individually liable for your financial obligations under the agreement. The guaranty and consent will place your spouse's marital and personal assets at risk if your franchise fails.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must provide specified services. The services include offering residential and commercial real estate brokerage services to real property purchasers and sellers ("**Services**"). We reserve the right to require that you sell additional Services in your HomeSmart Real Estate Brokerage Business on 30 days' prior written notice to you. You must provide the Services per our specifications and standards. We reserve the right to change standards and specifications on 30 days' prior written notice to you.

You must refrain from using or permitting the use of your HomeSmart Real Estate Brokerage Business for any other purpose or activity at any time without first obtaining our written consent.

You must sell or offer for sale only those Services which are authorized by us and which meet our standards and specifications. You must follow our policies, procedures, methods of doing business, and techniques. We may change or add to our required Services with prior notice to you. You must discontinue selling and offering for sale any Services, which we may disapprove in writing at any time.

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 Franchise Disclosure Document.

THE FRANCHISE RELATIONSHIP		
Provision	**Section in Franchise Agreement**	**Summary**
a. Length of the franchise term	Section 4	10 years
b. Renewal or extension of the term	Section 4	If you are in good standing you can add additional terms of 10 years each.
c. Requirements for you to renew or extend	Section 4	You may renew the Franchise Agreement if you: are not in default of any terms of the Franchise Agreement; have given notice of renewal to us; sign a new Franchise Agreement

THE FRANCHISE RELATIONSHIP		
Provision	**Section in Franchise Agreement**	**Summary**
		(which may contain materially different terms and conditions than your original Franchise Agreement); are current in payments due and owing to us and your trade creditors; sign a release; and pay to us a Successor Franchise Fee. "Renew" or "renewal" means the continuation of your franchise relationship.
d. Termination by you	Not Applicable	Franchisee may terminate the franchise agreement under any grounds permitted by law
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	Section 18	We can terminate upon certain violations of the Franchise Agreement by you subject to applicable state law
g. "Cause" defined - defaults which can be cured	Section 18	You have 30 days to cure the defaults listed in Section 18.2
h. "Cause" defined - defaults which cannot be cured	Section 18	Non-curable defaults: the defaults listed in Section 18.1
i. Your obligations on termination/non-renewal	Sections 11, 13, 15 & 18	Obligations include complete de-identification, payment of amounts due and return of Operations Manual, all Confidential Information, Trade Secrets, and records
j. Assignment of contract by us	Section 16.1	No restriction on our right to assign
k. "Transfer" by you – definition	Section 16	Includes transfer of contract or assets or ownership change
l. Our approval of transfer by franchisee	Section 16	We have the right to approve all transfers
m. Conditions for our approval of transfer	Section 16	New franchisee qualifies, Transfer Fee paid, purchase agreement approved, training arranged, release signed by you and current agreement signed by new franchisee
n. Our right of first refusal to acquire your business	Section 17	We can match any offer for your business
o. Our option to purchase your business	Section 17	We may, but are not required to, purchase your inventory and equipment at fair market value if your franchise is terminated for any reason
p. Your death or disability	Section 16.10	Your estate or legal representative must apply to us for the right to transfer to the next of kin within 120 days
q. Non-competition covenants during the term of franchise	Section 15	No involvement in competing business anywhere in US subject to applicable state law
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable

THE FRANCHISE RELATIONSHIP		
Provision	**Section in Franchise Agreement**	**Summary**
s. Modification of Franchise Agreement	Sections 3.3, 4.5 & 21.9	No modifications of Franchise Agreement during term generally, but Operations Manual subject to change. Modifications permitted on renewal
t. Integration/merger clause	Section 21.5	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Franchise Disclosure Document and Franchise Agreement including addenda or exhibits may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 20	Except for certain claims and subject to applicable state law, all disputes must be arbitrated in Arizona
v. Choice of forum	Sections 20.1 & 21.1	Arbitration or litigation must be conducted in Arizona, subject to applicable state law
w. Choice of law	Sections 20.1 & 21.1	Arizona law applies, subject to applicable state law

ITEM 18: PUBLIC FIGURES

We do not currently use any public figure to promote our franchise.

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

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 Bryan Brooks, Senior Vice President of Franchise Sales, HomeSmart International, LLC, Franchise Services, at 8388 East Hartford Dr., Suite 100, Scottsdale, AZ 85255, and (602) 889-2100, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20:OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide HomeSmart Real Estate Brokerage Business Summary
For Years 2020 to 2022

Business Type	Year	Businesses at Start of the Year	Businesses at End of the Year	Net Change
Franchised HomeSmart Real Estate Brokerage Businesses	2020	125	145	20
	2021	145	158	13
	2022	158	169	11
Company Owned* HomeSmart Real Estate Brokerage Businesses	2020	48	43	-5
	2021	43	54	11
	2022	54	67	13
Total Outlets	2020	173	188	15
	2021	188	212	24
	2022	212	236	24

* The company-owned locations disclosed in this ITEM 20 are owned and operated by our Affiliates.

Table No. 2
Transfers of HomeSmart Real Estate Brokerage Businesses
from Franchisees to New Owners
(Other than to HomeSmart or its Affiliates)
For Years 2020 to 2022[(1)]

State	Year	Number of Transfers(2)
Arizona	2020	0
	2021	2
	2022	0
Colorado	2020	0
	2021	0
	2022	1
North Carolina	2020	0
	2021	1
	2022	0
Total	2020	0
	2021	3
	2022	1

Table No. 3
Status of Franchised Outlets
For years 2020 to 2022

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Outlets Reacquired From Franchisee	Ceased Operations	Outlets at End of the Year
Arizona	2020	13	0	0	0	0	0	13
	2021	13	2	3	0	0	0	12
	2022	12	0	0	0	0	0	12
California	2020	35	2	1	0	0	0	36
	2021	36	1	7	0	0	0	30
	2022	30	2	1	0	0	0	31
Colorado	2020	3	1	1	0	0	0	3
	2021	3	3	0	0	0	0	6
	2022	6	1	0	0	0	0	7
Connecticut	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Florida	2020	2	2	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	2	0	0	0	2
Georgia	2020	2	0	0	0	0	0	2
	2021	2	1	0	1	0	0	2
	2022	2	0	0	0	0	0	2
Hawaii	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Idaho	2020	2	0	0	0	0	0	2
	2021	2	2	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Illinois	2020	10	1	0	0	0	0	11
	2021	11	2	0	0	0	0	13
	2022	13	1	0	0	0	0	14
Indiana	2020	3	0	0	0	0	0	3
	2021	3	0	2	0	0	0	1
	2022	1	0	0	0	0	0	1
Iowa	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Outlets Reacquired From Franchisee	Ceased Operations	Outlets at End of the Year
Kansas	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	1	0	0	0	1
Louisiana	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
Maine	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	1	0	0
	2022	0	0	0	0	0	0	0
Massachusetts	2020	2	3	0	0	0	0	5
	2021	5	2	0	0	0	0	7
	2022	7	1	0	0	0	0	8
Minnesota	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
Missouri	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	1	0	0	0	1
Montana	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Nevada	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
New Hampshire	2020	0	3	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
New Jersey	2020	4	3	0	0	0	0	7
	2021	7	3	0	0	0	0	10
	2022	10	2	1	0	0	0	11
New Mexico	2020	1	1	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	2022	3	0	0	0	0	0	3
New York	2020	12	0	1	0	0	0	11
	2021	11	0	0	0	0	0	11
	2022	11	1	0	0	0	0	12
North Carolina	2020	1	0	0	0	0	0	1
	2021	1	3	0	0	0	0	4

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Outlets Reacquired From Franchisee	Ceased Operations	Outlets at End of the Year
	2022	4	0	0	0	0	0	4
Ohio	2020	3	2	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	1	0	0	0	4
Oklahoma	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
Oregon	2020	3	0	0	0	0	0	3
	2021	3	2	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Pennsylvania	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Rhode Island	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	1	0	0	0	0	4
South Carolina	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
South Dakota	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Texas	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	3	0	0	0	1
Washington	2020	7	1	0	0	0	0	8
	2021	8	2	0	0	0	0	10
	2022	10	5	0	0	0	0	15
Wisconsin	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Wyoming	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
TOTAL	**2020**	**125**	**23**	**3**	**0**	**0**	**0**	**145**
	2021	**145**	**27**	**12**	**1**	**1**	**0**	**158**
	2022	**158**	**21**	**10**	**0**	**0**	**0**	**169**

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

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Alaska	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	1	0	0
Arizona	2020	22	0	0	0	0	22
	2021	22	1	0	5	0	18
	2022	18	2	0	1	0	19
California	2020	3	0	0	0	0	3
	2021	3	1	0	0	0	4
	2022	4	0	0	0	0	4
Colorado	2020	14	0	0	1	0	13
	2021	13	1	0	2	2	10
	2022	10	0	0	0	0	10
Delaware	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
Florida	2020	5	0	0	4	0	1
	2021	1	1	0	0	0	2
	2022	2	1	0	0	0	3
Georgia	2020	0	0	0	0	0	0
	2021	0	11	0	0	0	11
	2022	11	0	0	0	0	11
Kentucky	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
Maryland	2020	4	0	0	0	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4
Maine	2020	0	0	0	0	0	0
	2021	0	0	1	0	0	1
	2022	1	0	0	0	0	1
Michigan	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Missouri	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	1	0	0
North Carolina	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
Texas	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	9	0	0	0	9
Vermont	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
West Virginia	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
Total	2020	**48**	**0**	**0**	**5**	**0**	**43**
	2021	**43**	**19**	**1**	**7**	**2**	**54**
	2022	**54**	**16**	**0**	**3**	**0**	**67**

* The company-owned location disclosed in this ITEM 20 is the HomeSmart Real Estate Brokerage Business owned and operated by HomeSmart, LLC.

Table No. 5
Projected Openings as of December 31, 2022

Outlet Type	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	0	1	0
Alaska	0	0	1
Arizona	0	0	1
Arkansas	0	0	1
California	1	4	0
Colorado	0	0	2
Connecticut	0	0	0
Delaware	0	0	0
District of Columbia	0	0	0
Florida	0	3	2
Georgia	0	0	2
Hawaii	0	0	0
Idaho	0	0	0
Illinois	1	2	0
Indiana	0	1	0
Iowa	0	2	0
Kansas	0	0	0
Kentucky	0	0	1
Louisiana	1	0	0
Maine	0	0	0
Maryland	0	0	1
Massachusetts	0	1	0
Michigan	0	1	1
Minnesota	0	0	0
Mississippi	1	0	0
Missouri	0	0	1
Montana	0	1	0
Nebraska	0	1	0
Nevada	0	1	0
New Hampshire	0	0	0
New Jersey	1	2	0
New Mexico	0	0	0
New York	2	0	0
North Carolina	2	1	1
North Dakota	1	0	0
Ohio	0	1	0
Oklahoma	0	0	0

Outlet Type	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Oregon	0	0	0
Pennsylvania	0	0	0
Rhode Island	0	0	0
South Carolina	0	1	0
South Dakota	0	0	0
Tennessee	0	0	1
Texas	0	0	2
Utah	0	0	0
Vermont	0	0	0
Virginia	0	0	1
Washington	0	1	0
West Virginia	0	0	0
Wyoming	0	0	0
Wisconsin	1	0	0
TOTAL	11	24	18

The names, addresses, and telephone numbers of all current franchisees are listed in Exhibit C, representing 62 franchisees operating 167 Central Offices and Branch Offices as of December 31, 2022.

Exhibit C also lists the names, city and state and business (or, if unknown, home) telephone numbers of every franchisee who ceased to do business under the franchise agreement or had an outlet terminated, canceled, not renewed, transferred within the last fiscal year, or who has not communicated with the franchisor within 10 weeks of the issuance date of this Franchise Disclosure Document.

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

Certain HomeSmart International franchisees have signed confidentiality clauses with the Franchisor during the last three years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware not all such franchisees will be able to communicate with you.

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

ITEM 21: FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit A are the audited, fiscal year end financials of our parent, HomeSmart Holdings, Inc. for fiscal years December 31, 2020, 2021 and 2022. Our parent, HomeSmart Holdings, Inc. has guaranteed our performance with you. A copy of the Guaranty of Performance from HomeSmart Holdings, Inc. is included as Exhibit A.

ITEM 22:CONTRACTS

Attached are the following agreements proposed for use in connection with our offering of franchises:

Exhibits:

B. Franchise Agreement
E. State-Specific Addenda
G. Non-Disclosure and Non-Competition Agreement
H. Statement of Franchisee
I. General Release

ITEM 23:RECEIPTS

The last two pages of the Franchise Disclosure Document (Exhibit K) are receipt pages acknowledging your receipt of the Franchise Disclosure Document. One copy is for your records, and one copy must be signed and dated by you and returned to us.

Exhibit A to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
FINANCIAL STATEMENTS

KPMG LLP
Suite 800
60 East Rio Salado Parkway
Tempe, AZ 85281-9125

Independent Auditors' Acknowledgement

The Board of Directors
HomeSmart Holdings, Inc.:

We agree to the inclusion in the Franchise Disclosure Document dated April 4, 2023 issued by HomeSmart International LLC (the Franchisor) of our report, dated March 31, 2023, relating to the consolidated financial statements of its parent, HomeSmart Holdings, Inc. and its subsidiaries as of December 31, 2022 and 2021, and for the years then ended.

KPMG LLP

Phoenix, Arizona
March 31, 2023

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

HomeSmart Holdings, Inc., and Subsidiaries
Consolidated Financial Statements
For the years ended December 31, 2022, and 2021

KPMG LLP
60 East Rio Salado Parkway
Tempe, AZ 85281-9125

Independent Auditors' Report

To the Stockholders and Board of Directors
HomeSmart Holdings, Inc.:

Opinion

We have audited the consolidated financial statements of HomeSmart Holdings, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive loss, stockholders' (deficit) equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Phoenix, Arizona
March 31, 2023

HomeSmart Holdings, Inc., and Subsidiaries
Consolidated Statements of Comprehensive Loss
(In thousands, except share and per share data)

	Year Ended December 31, 2022	2021
Revenue		
Real estate brokerage	$ 559,444	$ 614,477
Franchise	6,281	7,022
Affiliated business services	4,785	6,466
Total revenue	570,510	627,965
Operating expenses		
Commission and other agent-related costs	533,058	586,150
General and administrative	38,303	37,072
Sales, marketing, and advertising	7,282	7,310
Depreciation and amortization	3,238	2,644
Total operating expenses	581,881	633,176
Loss from operations	**(11,371)**	**(5,211)**
Interest expense	1,263	696
Other income, net	1,662	812
Loss before income taxes	(10,972)	(5,095)
Income tax expense (benefit)	997	(752)
Net loss	**$ (11,969)**	**$ (4,343)**
Net loss per share, basic and diluted	(0.22)	(0.08)
Weighted average common shares outstanding, basic and diluted	54,478,907	54,478,907
Comprehensive loss:		
Net loss	$ (11,969)	$ (4,343)
Other comprehensive loss:		
Unrealized losses on interest rate swap agreement	(311)	-
Comprehensive loss	$ (12,280)	$ (4,343)

The accompanying notes are an integral part of these Consolidated Financial Statements.

HomeSmart Holdings, Inc., and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share and per share data)

	Year Ended December 31, 2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 2,785	$ 16,677
Accounts receivable, net of allowance for credit losses of $379 and $563, respectively	2,763	2,321
Commission receivable, net of allowance for credit losses of $105 and $0, respectively	1,531	2,107
Prepaid expenses	786	1,357
Due from related parties	140	77
Other current assets	1,009	608
Mortgage loans held for sale	-	2,015
Total current assets	9,014	25,162
Property and equipment, net	2,758	2,645
Goodwill	15,382	8,633
Intangibles, net	6,247	5,634
Operating lease assets	13,190	-
Other non-current assets	2,450	6,335
Total assets	**$ 49,041**	**$ 48,409**
Liabilities and stockholders' (deficit) equity		
Current liabilities:		
Accounts payable	$ 908	$ 2,084
Accrued expenses and other current liabilities	4,112	4,949
Commissions payable	1,730	2,149
Current portion of notes payable	4,645	1,290
Current portion of operating lease liabilities	2,409	-
Warehouse line of credit	-	1,820
Due to related parties	20	381
Total current liabilities	13,824	12,673
Long-term notes payable, net	16,930	4,224
Long-term related party note payable	6,217	7,000
Long-term secured credit facilities	-	16,508
Other non-current liabilities	1,250	910
Long-term operating lease liabilities	10,831	-
Total liabilities	**$ 49,052**	**$ 41,315**
Commitments and contingencies (Note 10)		
Stockholders' (deficit) equity:		
Common stock, $0.01 par value, 100,000,000 shares authorized as of December 31, 2022, and 2021; 54,478,907 shares issued as of December 31, 2022, and 2021	$ 545	$ 545
Additional paid-in-capital	25,185	20,012
Accumulated deficit	(25,430)	(13,463)
Accumulated other comprehensive loss	(311)	-
Total stockholders' (deficit) equity	**$ (11)**	**$ 7,094**
Total liabilities and stockholders' (deficit) equity	**$ 49,041**	**$ 48,409**

The accompanying notes are an integral part of these Consolidated Financial Statements.

HomeSmart Holdings, Inc., and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2022	2021
Operating activities		
Net loss	$ (11,969)	$ (4,343)
Adjustments to net loss:		
Depreciation and amortization	3,238	2,644
Amortization of deferred financing costs and debt discount	108	78
Non-cash lease expense	3,604	—
Stock-based compensation	5,442	5,064
Deferred income taxes	1,012	—
Other, net	2,511	(243)
Mortgage loans held for sale:		
Proceeds from sale of mortgage loans held for sale	26,241	31,140
Disbursements of mortgage loans held for sale	(24,280)	(30,402)
Changes in assets and liabilities:		
Accounts receivable	(20)	255
Commissions receivable	471	(2,107)
Prepaid expenses	636	(575)
Due from related parties, net	(328)	(1,801)
Other current assets	(421)	106
Other non-current assets	64	(3,392)
Accounts payable	(1,180)	1,243
Accrued expenses and other current liabilities	(1,241)	3,509
Commissions payable	(1,388)	1,628
Operating lease liabilities	(3,554)	—
Other non-current liabilities	(50)	(369)
Net cash (used in) provided by operating activities	(1,104)	2,435
Investing activities		
Purchases of property and equipment	(1,224)	(1,521)
Payments for acquisitions, net of cash acquired and issuance of note	(6,731)	(6,423)
Proceeds from investments in unconsolidated entities	342	511
Net cash used in investing activities	(7,613)	(7,433)
Financing activities		
Borrowings under notes payable	16,257	—
Repayments of notes payable	(1,603)	(1,497)
Net payments to related party on promissory notes issued as part of Reorganization (Note 2 and 8)	(3,000)	(1,000)
Repayments under secured credit facilities and warehouse line of credit	(42,592)	(38,345)
Borrowings under secured credit facilities and warehouse line of credit	24,158	53,210
Debt issuance costs	(117)	(184)
Borrowings under related party notes payable	2,000	—
Payments under finance lease obligations	(59)	—
Contributions from common stockholder	—	374
Distributions to common stockholder	—	(1,573)
Settlement of vested restricted stock units	(219)	—
Net cash (used in) provided by financing activities	(5,175)	10,985
Net (decrease) increase in cash and cash equivalents	(13,892)	5,987
Cash and cash equivalents, beginning of period	16,677	10,690
Cash and cash equivalents, end of period	$ 2,785	$ 16,677
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,004	$ 531
Cash paid for taxes	944	442
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of unsecured note payable related to acquisition	$ 1,463	$ 6,300
Issuance of related party promissory notes as part of Reorganization	—	8,000

The accompanying notes are an integral part of these Consolidated Financial Statements.

HomeSmart Holdings, Inc., and Subsidiaries
Consolidated Statements of Stockholders' (Deficit) Equity
(In thousands, except share data)

	Common Stock					
	Shares	Amount	Additional paid-in-capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive loss	Total stockholders' (deficit) equity
Balances as of December 31, 2020	54,141,164	$ 541	$ 12,261	$ 2,389	$ —	$ 15,191
Net loss	—	—	—	(4,343)	—	(4,343)
Reorganization (Note 2)	337,743	4	1,996	(9,936)	—	(7,936)
Stock based compensation expense	—	—	5,381	—	—	5,381
Contributions	—	—	374	—		374
Distributions	—	—	—	(1,573)	—	(1,573)
Balances as of December 31, 2021	54,478,907	$ 545	$ 20,012	$ (13,463)	$ —	$ 7,094
Net loss	—	—	—	(11,969)	—	(11,969)
Stock based compensation expense	—	—	5,442	—	—	5,442
Loss on interest rate swap	—	—	—	—	(311)	(311)
Other, net	—	—	(269)	2		(267)
Balances as of December 31, 2022	54,478,907	$ 545	$ 25,185	$ (25,430)	$ (311)	$ (11)

The accompanying notes are an integral part of these Consolidated Financial Statements.

HomeSmart Holdings, Inc., and Subsidiaries
Notes to Consolidated Financial Statements

1. Description of Business

HomeSmart Holdings Inc. ("Holdings" or "the Company"), collectively with its subsidiaries, is a real estate enterprise powered by its proprietary end-to-end technology platform. The Company provides integrated real estate solutions to agents, Company-owned brokerages, franchisees and ultimately the buyers and sellers ("the consumer") with operations across the United States.

Holdings has organized its operations into three operating and reportable segments: Real estate brokerage, Franchise, and Affiliated business services. The Real estate brokerage operating segment is engaged by its customers to assist with the buying, selling, or leasing of property. In exchange for its services, the Company is compensated in the form of commission income earned upon closing of the sale of a property or execution of a lease. The Franchise operating segment franchises its real estate brand to real estate brokerage businesses that are independently owned and operated. Franchise revenue principally consists of royalty and marketing fees from the Company's franchisees. Royalties received by the Company are primarily derived from the number of agents affiliated with each franchisee and the number of closed transactions by each franchisee each month. The Affiliated business services operating segment provides mortgage, title and escrow services. The Company receives fees for the mortgage, title and escrow services it provides its customers, as well as proceeds from the sale of mortgage loans originated by the Company.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

HomeSmart Holdings, Inc. was formed on October 22, 2020, with the objective of consolidating 100% of the Founder and Chief Executive Officer's (the "Founder") equity interests held in multiple individual legal entities, into one legal business entity ("the Reorganization"). Before and after the Reorganization the Founder had 100% ownership in HomeSmart Holdings, Inc. and the legal entities included in the Reorganization, with the exception of four immaterial joint venture legal entities in which the Founder had both a 51% ownership and voting interest.

The Reorganization, which occurred in the second quarter of 2021, ultimately consolidated each of the individual legal entities under common control which requires the legal entities to be combined at their historical cost. Prior to the Reorganization, there were no subsidiaries consolidating into Holdings and the Company had no operations, assets or liabilities.

In conjunction with the Reorganization, Holdings entered into three unsecured promissory notes with legal entities in which the Founder and Chief Executive Officer's (the "Founder") holds a 100% ownership interest. One of the promissory notes is a note receivable effectively from the Founder and two of the promissory notes are notes payable effectively to the Founder. The note receivable was issued in exchange for 337,743 shares of Holdings' common stock with an initial principal balance of $2.0 million, bears interest at 0.52% per annum and was repaid in full on April 15, 2021. The two promissory notes payable to the Founder are discussed in Note 8, "Debt", of these notes to the Consolidated Financial Statements. The promissory notes were treated as a dividend to the Founder and recorded as a net reduction to retained earnings. As part of the Reorganization, on April 1, 2021, the Company also issued 54,140,164 shares of its common stock to the Founder in exchange for the shares of the HomeSmart Subsidiaries. All share and per share amounts presented herein have been retroactively adjusted to reflect the impact of this issuance of the 54,140,164 shares.

The Consolidated Financial Statements include the accounts of HomeSmart Holdings, Inc. and its Subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Company's Consolidated Financial Statements include the assets, liabilities, revenues and expenses of all controlled subsidiaries. The Consolidated Statements of Comprehensive Loss include the results of entities acquired from the date of the acquisition. The Company's fiscal year end is December 31.

The Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). We believe that the following critical accounting policies represent the areas where more significant judgments and estimates are used in the preparation of our Consolidated Financial Statements.

Certain immaterial amounts in the 2021 Consolidated Financial Statements have been reclassified to conform to the 2022 Consolidated Financial Statement presentation.

The Company has generated a net loss and net cash outflows from operations in the current year. As of December 31, 2022, the Company had negative working capital of $2.4 million (excluding current portion of operating lease liabilities) and cash and cash equivalents of $2.8 million. These financial statements have been prepared on a going-concern basis because the Founder has committed and has the ability to provide necessary financial support for the twelve months from the date the financial statements were available to be issued such that the Company will be able to satisfy its obligations on a timely basis.

Use of Estimates

In preparation of the Consolidated Financial Statements, U.S. GAAP requires management to make judgements, estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. The Company regularly evaluates estimates and assumptions related to the fair value of acquired intangible assets and goodwill, provisions for doubtful accounts, legal contingencies, impairment of intangible assets and goodwill, and income taxes. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances. Actual results realized by the Company could differ materially and adversely from the Company's estimates.

Segment Reporting

The Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") *Segment Reporting (Topic 280)*, established standards for the manner in which enterprises report information about operating segments. The Company views its operations as three reportable segments. See Note 15, "Segment Reporting", for discussion.

Revenue Recognition

The Company generates its revenue from real estate brokerage services, franchise royalties and other affiliated business services.

The Company's revenue recognition policies are discussed further below by business segment:

Real Estate Brokerage

As an owner-operator of real estate brokerages, the Company assists home buyers and sellers in listing, marketing, selling and finding homes. Real estate commissions earned by the Company's real estate brokerage business are recorded as revenue at the closing of a real estate transaction (i.e., purchase or sale of a home, execution of a lease). These revenues are referred to as Real estate brokerage revenue. The commissions the Company pays to real estate agents are recognized concurrently with the associated brokerage revenues and included as a cost of sale within the Commission and other agent-related costs line item on the accompanying Consolidated Statements of Comprehensive Loss.

In such real estate transactions, the Company holds the real estate brokerage license that is necessary under relevant state laws and regulations to provide brokerage services and therefore controls those services that are being rendered for home buyers and sellers and lessees/lessors of real estate. Although the Company's agents are independent contractors, they cannot execute a real estate transaction without a brokerage license, which the Company possesses. The Company has the only contractual relationship for the sale or exchange of real estate with its customer (i.e., the home buyer or seller). Accordingly, the Company is the principal in its transactions with both home buyers and sellers; or lessees and lessors in the case of an execution of a lease.

As principal, the Company recognizes revenue in the gross amount of consideration it expects to receive in exchange for those services which is determined based on the sales price multiplied by the commission rate as agreed upon in the listing agreement with a seller or between co-brokered transactions with other third party brokers.

Franchise

The Company franchises its real estate brands to real estate brokerage businesses that are independently owned and operated. Franchise revenue principally consists of upfront, royalty, and marketing fees earned from the Company's franchisees.

The franchise arrangement requires the Company to perform various upfront activities to support the brand such as training, pre-opening assistance, and access to the Company's technology platform. These upfront services are highly interrelated with the franchise right as they do not provide a substantive service to the customer on their own. Together, the upfront services and franchise right represent a series of distinct daily services rendered over time. Consistent with the transfer of control for distinct, daily services to the customer, franchise fee revenue from the sale of individual franchises and fees for new branch locations are deferred and recognized over the term of the individual franchise agreement, 5 or 10 years, on a straight-line basis. The franchise deferred revenues are presented in Accrued expenses and other current liabilities and Non-current liabilities.

The royalty received is primarily based on the franchisee's agent count and the number of real estate transactions closed in a month. Royalty fees are accrued as the underlying franchisee revenue is earned (typically upon close of the real estate transaction).

The Company also earns monthly marketing fees from its franchisees. Such fees are utilized to fund ongoing marketing campaigns on behalf of its franchisees and are recognized as franchise revenue in the month earned. In addition, the Company recognizes a deferred asset for commissions paid for the sale of a new franchise as these are considered costs of obtaining a contract with a customer that are expected to provide benefits to the Company for longer than one year. The Company classifies capitalized commissions as current or non-current assets in the Consolidated Balance Sheets based on the expected timing of recognition of the expense. The amount of commissions is a flat rate for each location and is amortized over a period of five years. The amount of capitalized commissions was $0.4 million and $0.6 million as of December 31, 2022, and 2021, respectively.

Affiliated Business Services

The Company provides mortgage, title, and escrow services to the consumer. Revenues for mortgage services are recorded as earned, generally at the time a real estate transaction is closed. The Company also began originating mortgage loans in April 2020, which it in turn intends to sell in a short period of time after issuance. Upon sale of a mortgage loan into the secondary mortgage market, any difference between the proceeds received and the current fair value of the loan is recognized in the Affiliated business services revenue line item on the Consolidated Statements of Comprehensive Loss. Mortgage loans held-for-sale are typically sold within 30 days after loan issuance. The Company also enters into interest rate lock commitments ("IRLCs") with customers at the beginning of the lending process. Any gain or loss on IRLCs is recognized in current period earnings.

Title and escrow revenues within the Company's affiliated business services are recorded as earned, generally at the time a real estate transaction is closed. For title services, the Company acts as an agent for insurance policy underwriters by performing title related services on their behalf. The insurance policy underwriter is the primary obligor for the policy. Accordingly, the Company recognizes revenue solely based on the net amount the Company earns for its performance of the title related services, as opposed to the gross amount of the title insurance transaction. For escrow services, the Company's primary responsibilities are to administer funds and enforce the terms of the escrow agreement. In this capacity, the Company is an agent in its promise to perform the services for the real estate broker, who is the principal and primary obligor. Accordingly, the Company recognizes escrow services revenue upon performance of the services, in the amount contractually agreed upon with the broker.

Commission and Other Related Costs

The Company pays commissions to its agents for which the associated costs are recognized concurrently with the associated revenue and are recorded within the Commission and other agent-related costs line item on the Consolidated Statements of Comprehensive Loss. Additionally, the Company pays fees to external brokerages for client referrals, which are recognized and paid upon the closing of a real estate transaction, and the Company charges its agents various fees for the services it provides. These fees are either transaction based, where amounts are collected at the closing of a brokerage transaction, or in the form of periodic fixed fees over a defined period of time. Fees charged to affiliated agents are recognized as a reduction to Commission and other agent-related costs as the reimbursements do not constitute a form of revenue nor do they constitute a reimbursement for a specific, incremental, identifiable cost for the Company.

The Company also incurs costs related to the sale of new franchises which are included in the Commission and other agent-related costs on the Consolidated Statements of Comprehensive Loss.

The mortgage, title and escrow Affiliated business services operating segment incurs personnel-related costs, including salaries, benefits and bonuses, incurred in connection with either funding new loans or closing transactions within title and escrow. Other direct costs include title policies issued as well as other notary and recording fees. The net amount of these costs are also included in Commission and other agent-related costs on the Consolidated Statements of Comprehensive Loss.

Contract Costs

The Company capitalizes commissions paid for its franchise arrangements, as an incremental cost to acquire the contract. Capitalized commissions are amortized over the period of expected benefit, which management estimates to be five years. The Company classifies capitalized commissions as Other current or non-current assets in the Consolidated Balance Sheets, based on the expected timing of expense recognition. The amount of commissions is a flat rate for each location. The amount of capitalized commissions was $0.4 million and $0.6 million as of December 31, 2022, and 2021, respectively.

Contract Liabilities

The following table shows the change in the Company's contract liabilities related to revenue contracts by reportable segment for the periods (in thousands):

	Year Ended December 31, 2021			
	Beginning Balance at January 1, 2021	Additions During the Period	Recognized as Revenue During the Period	Ending Balance at December 31, 2021
Franchise	$ 928	$ 449	$ (315)	$ 1,062
Balance as of December 31, 2021	$ 928	$ 449	$ (315)	$ 1,062

	Year Ended December 31, 2022			
	Beginning Balance at January 1, 2022	Additions During the Period	Recognized as Revenue During the Period	Ending Balance at December 31, 2022
Franchise	$ 1,062	$ 129	$ (249)	$ 942
Balance as of December 31, 2022	$ 1,062	$ 129	$ (249)	$ 942

Short-term franchise contract liabilities are included in accrued expenses and other current liabilities on the Consolidated Balance Sheets and long term franchise contract liabilities are presented in Other non-current liabilities on the Consolidated Balance Sheets.

Remaining Performance Obligations

Remaining performance obligations represent the aggregate transaction prices for contracts where performance obligations have not yet been satisfied. The majority of the Company's contracts are transactional in nature or have a duration of one-year or less. The Company applies the practical expedient related to remaining performance obligations that are part of a contract that has an original expected duration of one year or less and the practical expedient related to variable consideration from remaining performance obligations pursuant to the series guidance in the relevant accounting literature. All remaining performance obligations apply to one of these practical expedients; therefore, the Company does not disclose the value of unsatisfied performance obligations for contracts.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities when purchased of three months or less to be cash equivalents.

Restricted cash is included in cash and cash equivalents on the Consolidated Balance Sheets at December 31, 2022. Restricted cash as of December 31, 2022, and 2021 was $0.5 million and $0.2 million, respectively. Restricted cash balances at year end are made up of $0.2 million related to the Warehouse Line of Credit (see Note 8, “Debt”, for discussion) and $0.3 million funds designated by the Company for commissions expected to be paid as part of the Company’s referral program. The duration of the restriction is varied and dependent upon the transaction timing associated with the participants in the plan.

Financial instruments are potentially subject to concentrations of credit risk including cash, cash equivalents and restricted cash. Cash and cash equivalents are placed with major financial institutions deemed to be of high-credit quality in order to limit credit exposure. The Company regularly holds cash in excess of Federal Deposit Insurance Corporation (“FDIC”) federally insured limits at the financial institutions. Management believes that the Company is not exposed to any significant credit risk related to cash, cash equivalent and restricted cash balances. As of December 31,2022, the Company had $2.2 million in excess of the FDIC insured limit of $250 thousand per bank account held in various bank accounts.

Stock-based Compensation

The Company measures compensation expense for all stock-based awards based on the estimated fair value of the awards on the date of grant. Compensation expense is generally recognized as expense on a straight-line basis over the service period based on the vesting requirements. The Company recognizes forfeitures as they occur.

The fair values of the stock appreciation rights (“SARs”) are estimated on the date of grant using the Black-Scholes option valuation model. As there is no public market for its common stock, the Company determines the volatility for awards granted based on an analysis of reported equity data for a group of guideline companies. The expected volatility has been determined using the leverage adjusted weighted-average of the historical equity volatility of this group of guideline companies. The Company expects to continue to do so until such time as it has adequate historical data regarding the volatility of its traded stock price. The expected term of the Company's SARs has been determined

utilizing the SEC "simplified" method for awards that qualify as "plain-vanilla". The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. The Company has not paid, and does not anticipate paying, cash dividends on its common stock; therefore, the expected dividend yield is assumed to be zero. The fair values of the Company's restricted stock units ("RSUs") are estimated based on the fair value of its common stock on the date of grant.

SARs and RSUs awards are both subject to service-based vesting conditions. A limited number of RSUs also have a performance vesting condition. See Note 12, "Stock-based Compensation", for discussion.

Deferred Offering Costs

The Company capitalizes within other long-term assets certain legal, accounting and other third-party fees that are directly related to the Company's in-process planned initial public offering. After consummation of the planned initial public offering these costs are recorded as a reduction of the proceeds received as a result of the offering. Should the public offering plan be abandoned, terminated or significantly delayed, the deferred offering costs are immediately written off to operating expenses. As of December 31, 2021, deferred offering costs of $2.7 million were recorded within other long-term assets on the Consolidated Balance Sheets. During 2022 when the Company delayed the planned initial public offering until a future date due to changes in market conditions, the deferred offering costs of $2.7 were expensed and included in General and administrative.

Income Taxes

Prior to the Reorganization, the HomeSmart Subsidiaries were primarily taxed as pass-through entities for federal and state income tax purposes. Accordingly, for federal and state income tax purposes, most income, loss, and other tax attributes pass through to the members' income tax returns.

Beginning on April 1, 2021, immediately after the Reorganization, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more-likely than-not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company's policy is to classify interest and penalties on uncertain tax positions as a component of income tax expense.

The Company recognizes the US tax effects of global intangible low-taxed income ("GILTI") as a component of income tax expense in the period the tax arises (the "period cost method").

Variable interest entities

The Company has elected the "Private Company Alternative" for Variable Interest Entities ("VIE"), pursuant to ASC 810-10-15-17AD *Accounting Alternative for Entities under Common Control*; therefore, the assets, liabilities, and operating results of these potential VIEs have not been included in the Company's consolidated financial statements. The Company has involvement with several potential VIEs under common control. These VIE are separate legal entities owned by the Company's founder and shareholder.

The Company makes electronic payments to HomeSmart agents utilizing the services of, has office space leases with, and has a consulting services agreement with, related companies that could be considered VIEs. The Company may at time have related party balances with these entities. See Note 16, "Related Party Transactions", for additional discussion on related party transactions.

The Company believes that its exposure to loss related to these entities is insignificant and there is evidence which indicates the Company would not be under obligation for losses nor have the right to benefits which may be incurred by the other entities.

Equity Method Investment

Investments in entities for which the Company has the ability to exercise significant influence over, but does not have financial or operating control, are accounted for using the equity method of accounting. Accordingly, the Company's share of the net income (loss) of equity method investment are included in the Company's net income, and the proceeds received are reflected on the Consolidated Statements of Cash Flows within net cash provided by investing activities.

In connection with the PalmerHouse acquisition, the Company acquired minority interest in Independence Title & Escrow, LLC. The investment balance as of December 31, 2022, and 2021 was $1.8 million and is presented in other non-current assets on the Consolidated Balance Sheets.

Fair Value Measurements

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company categorizes each of its fair value measurements in one of the following three levels based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy prioritizes the quality and reliability of the information used to determine fair values. The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each period. There were no transfers between levels during the periods presented.

Input Level	Definitions
Level 1	Inputs are quoted market prices in active markets for identical assets or liabilities (these are observable market inputs).
Level 2	Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability (includes quoted market prices for similar assets or identical or similar assets in markets in which there are few transactions, prices that are not current or prices that vary substantially).
Level 3	Inputs are unobservable inputs that reflect the entity's own assumptions in pricing the asset or liability (used when little or no market data is available).

The fair value of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, approximate their carrying value due to their short-term maturities. The carrying amount of the Company's secured credit facilities approximate their fair value as the stated interest rate approximates market rates currently available to the Company. Mortgages held-for-sale are recognized at their fair value based on an agreed upon future sale price with a financial institution that intends to purchase the mortgage. While not material to the Company's Consolidated Financial Statements, interest rate locks are also carried at their fair value in other non-current assets. Notes payable are presented at their carrying value; see Note 14, "Fair Value Measurements", for further discussion of the Company's fair value measurements.

Derivative Financial Instruments

The Company has a pay-fixed, receive-variable, interest rate swap contract ("Swap") to manage its exposure to changes in interest rates. The Swap is recognized in the Consolidated Balance Sheets at fair value. The Swap is a cash flow hedge and is recorded using hedge accounting, as such, changes in the fair value of the Swap are recorded in Other comprehensive income (loss) until the hedged item is recognized in earnings. Amounts reported in Other comprehensive income (loss) related to the Swap are reclassified to interest expense as interest payments are made on the Company's variable-rate debt.

The Company assesses, both at the inception of the hedge and on an ongoing basis, whether the derivative used as a hedging instrument is highly effective in offsetting the changes in the cash flow of the hedged item. If it is determined that the derivative is not highly effective as a hedge or ceases to be highly effective, the Company will discontinue hedge accounting prospectively. See Note 14, "Fair Value Measurements", and Note 8, "Debt", for additional information.

Mortgage Loans Held for Sale

The Company has elected the fair value option for accounting for mortgage loans held-for-sale with unrealized gains and losses included in Affiliated business services revenue in the Consolidated Statements of Comprehensive Loss. Mortgage loans held-for-sale are loans originated as held-for-sale, that are expected to be sold into the secondary mortgage market. For the years ended December 31, 2022, and 2021, a loss of $0.1 million was included in the Affiliated business services revenue line item on the Consolidated Statements of Comprehensive Loss and in the Mortgage loans held for sale line item on the Consolidated Balance Sheets, to reflect the change in the fair value Mortgage loans held for sale.

Accounts Receivable, Net and Allowance for Credit Losses

Accounts receivable primarily consist of amounts owed from escrow companies upon the close of real estate transactions, amounts owed from franchisees, and amounts owed from our agents. The Company uses the aging schedule method to estimate current expected credit losses ("CECL") based on the age and nature of the past due accounts. Significant judgment is used in estimating the timing, frequency, and severity of losses. The Company adjusts the allowance periodically based on historical experience, combined with a review of current developments and forecasts of future collectability. The allowance calculation also includes specific accounts for which collectability is considered to be remote (i.e., bankruptcy, lack of contact, age of account balance, etc.).

During 2022 the Company requested, and was approved for, a refundable payroll tax credit against certain federal employment taxes relating to 2021 payroll taxes through the Employee Retention Credit ("ERC"), originally provided in the CARES Act, and expanded in the Consolidated Appropriations Act in 2021. The ERC is a refundable tax credit for businesses that continued to pay employees while shut down due to the COVID-19 pandemic or had significant declines in gross receipts from March 13, 2020, to September 30, 2021. For the fiscal year ended December 31, 2022, the Company recorded $1.3 million of other income, net, for the employee retention credit and a related accounts receivable. This is a one-time credit and there is no expectation that similar credits will be available in the future. The ERC funds were received in January 2023.

Credit Risk

The Company is subject to credit risk associated with accounts receivable and mortgage loans that it originates during the period of time prior to the sale of these loans. The Company considers credit risk associated with mortgage loans to be insignificant as it holds the loans for a short period of time, and the secondary market for these loans continues to be highly liquid.

Property and Equipment, net

Property and equipment (including leasehold improvements) are recorded at historical cost, net of accumulated depreciation and amortization. Depreciation, recorded as a component of Depreciation and amortization on the Consolidated Statements of Comprehensive Loss, is computed utilizing the straight-line method over the estimated useful lives of the related assets and assuming no salvage value, as follows:

Type	Estimated Useful Life
Furniture	10 years
Office and computer equipment	3 – 7 years
Vehicles	5 years
Leasehold improvements [(a)]	3 – 7 years
Internally developed software	5 years

(a) Leasehold improvements are depreciated over the lesser of the lease term or the useful life of the improvement.

As it pertains to internally developed software, costs incurred in the preliminary stages of software development are expensed as incurred. Once an application has reached the development stage, direct internal and external costs relating to upgrades or enhancements that meet the capitalization criteria are capitalized and amortized on a straight-line basis over their estimated useful lives. Maintenance and enhancement costs (including those costs in the post-implementation stages) are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the software that result in added functionality, in which case the costs are capitalized as well.

Internally developed software costs are amortized over the expected useful lives of the releases, which have been estimated to have a useful life of five years. Estimated useful lives of capitalized internal-use software are reviewed annually or whenever events or changes in circumstances indicate a release may be impaired.

Leases

The Company determines if a contract contains a lease at inception and recognizes operating lease right-of-use assets and operating lease liabilities based on the present value of future minimum lease payment at the lease commencement date. When a lease does not provide the implicit rate, we use the Company's incremental borrowing rate commensurate with the underlying lease terms. Lease expense is recognized on a straight-line basis over the lease term.

Business Combinations

Business combinations are accounted for under the acquisition method of accounting. This method requires, among other things, allocation of the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed at their estimated fair values on the acquisition date. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair value of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, not to exceed one year from the date of acquisition, the Company may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to goodwill if new information is obtained related to facts and circumstances that existed as of the acquisition date. After the measurement period, any subsequent adjustments are reflected in the Consolidated Statements of Comprehensive Loss.

Goodwill, Intangible Assets and Other Long-Lived Assets

Goodwill represents the excess of acquisition costs over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Goodwill is not amortized but is subject to impairment testing.

The aggregate carrying amount of the Company's goodwill for the years ended December 31, 2022, and 2021, was $15.4 million and $8.6 million, respectively, and is subject to an impairment assessment annually as of October 1, or whenever events or changes in circumstances occur that indicate fair value may be below the carrying amount. As part of the annual goodwill impairment test, the Company first performs a qualitative assessment to determine whether further impairment testing is necessary. If, as a result of the qualitative assessment, it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the quantitative impairment test will be required. If the Company has determined it necessary to perform a quantitative impairment assessment, the Company will compare the fair value of the reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, limited to the total amount of goodwill of the reporting unit. The results of the Company's annual assessment did not identify any goodwill impairment.

The Company's finite-lived intangible assets are carried at cost, net of accumulated amortization. Intangible assets are amortized on a straight-line basis over their estimated useful lives. The Company estimates the useful life by estimating the expected period of economic benefit. Intangible assets consist of agent relationships, pendings (i.e., real estate transactions in-process) and listings, and trade names acquired through historical acquisitions. The estimated useful lives of the Company's intangible assets range from one to five years. For the years ended December 31, 2022, and 2021 there were no impairments of finite-lived intangible assets.

The Company evaluates other non-current assets, which include depreciable intangible and tangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of other non-current assets exceeds its fair value. This includes but is not limited to significant adverse changes in business climate, market conditions or other events that indicate an asset groups' carrying amount may not be recoverable. Recoverability of asset groups to be held and used is measured first by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset group. If such asset groups' were considered to be impaired, an impairment loss in the amount of the excess of the carrying amount over the fair value of the asset group, would be recognized. Based on management's assessment, the other non-current assets were not impaired at December 31, 2022 or December 31, 2021.

Sales, Marketing and Advertising

Sales, marketing, and advertising expenses consist primarily of public relations, communications and events expenses, personnel-related costs, including salaries, benefits and bonuses, for employees supporting franchise sales, marketing, agent recruiting and retention costs, acquisition and new office expansions, ancillary services, and costs related to national referral, relocation, lead generation and call center activities. Sales, marketing, and advertising expenses also include advertising expenses such as print advertising, content marketing, online and social media advertising, event marketing and promotional items, which are expensed as incurred.

General and Administrative

General and administrative expenses consist primarily of personnel-related costs, including salaries, benefits, and bonuses for executive management and administrative employees, including, finance and accounting, legal, human resources and communications, the occupancy costs for the corporate headquarters, and other office-related expenses for supporting our agents, administrative functions, professional service fees for legal and finance, insurance expenses and talent acquisition expenses. General and administrative costs are expensed as incurred.

Recently Adopted Accounting Standards

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contact Liabilities from Contracts with Customers. The guidance amends ASC 805 to require an acquiring entity to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. The new standard becomes effective for non-public companies with fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The amendments to ASU 2021-08 should be applied prospectively to business combinations occurring on or after the effective date. The Company elected to early adopt the new standard on January 1, 2022. The adoption did not have a material impact on the Company's Consolidated Financial Statements and related disclosures.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The ASU is part of the FASB's simplification initiative; and it is expected to reduce cost and complexity related to accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740, Income Taxes related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The new standard became effective for non-public companies with fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The adoption of this standard did not have a material impact on the Company's Consolidated Financial Statements and related disclosures.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842), which requires lessees to recognize the assets and liabilities that arise from all leases on the Consolidated Balance Sheets. ASU 2016-02 is effective for fiscal periods beginning after December 15, 2021, for non-public companies. The Company elected the extended transition period available to emerging growth companies and adopted the new standard on January 1, 2022, utilizing a modified retrospective transition approach. HomeSmart elected to use the effective date as the date of initial application. Consequently, financial information was not updated, and the disclosures required under the new standard were not provided for dates and periods before January 1, 2022.

The Company elected the 'package of practical expedients', that were applied to all leases. The Company did not reassess whether expired or existing contracts contain leases under the new definition of a lease, lease classification for expired or existing leases, nor whether previously capitalized initial direct costs would qualify for capitalization under the new standard. Upon transition, the Company did not elect to use hindsight with respect to lease renewals and purchase options when accounting for existing leases, as well as assessing the impairment of right-of-use assets. Therefore, lease terms largely remained unchanged. In addition, the Company elected the short-term lease recognition exemption and did not recognize a lease obligation and right-of-use asset on the Consolidated Balance Sheets for all leases with terms of 12 months or less. The Company elected the practical expedient to combine lease and non-lease components for its leases, which resulted in a larger lease liability recorded on the Consolidated Balance Sheets.

Upon adoption, HomeSmart recognized operating lease liabilities totaling approximately $15.1 million, which includes $0.3 million of lease liabilities associated with its January 1, 2022, acquisition of a U.S. based real estate brokerage. The liabilities were calculated as the present value of the remaining minimum rental payments for existing operating leases. Corresponding right of use assets totaling $14.9 million were also recognized. Adoption of this standard did not materially impact the Company's consolidated net earnings and had no impact on cash flows. For more information regarding leases, see the disclosure in Note 6, "Leases".

Recently Issued Accounting Standards

The following provides a brief description of recent accounting pronouncements that could have a material effect on the Company's financial statements:

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. An update was also issued expanding the scope of this guidance. The guidance provides optional expedients and exceptions for applying GAAP to contracts or other transactions affected by reference rate reform if certain criteria are met. The guidance was issued on March 12, 2020, and may be applied prospectively through December 31, 2022. However, ASU 2022-06 was issued in December 2022 deferring the implementation of the Reference Rate Reform, extending the implementation date to December 31, 2024. The Company is evaluating applicable contracts and transactions to determine whether to elect the optional guidance. The adoption of this standard is not expected to have a material impact on the Company's Consolidated Financial Statements and related disclosures.

3. Business Combinations

Assets acquired and liabilities assumed in business combinations are recognized at their acquisition date fair values. Determination of the fair values of assets and liabilities acquired requires estimates and the use of valuation techniques when market values are not readily available. The results of operations of businesses acquired by the Company have been included in the Consolidated Statements of Comprehensive Loss since their respective dates of acquisition.

Goodwill generated from all business combinations completed was primarily attributable to expected synergies from future growth and potential monetization opportunities.

Palmer Acquisition

On January 1, 2021, the Company completed the acquisition of 100% of the equity interests in PalmerHouse Properties, LLC, PalmerHouse Properties and Associates, LLC, and PalmerHouse Properties Lake Country, LLC, ("PalmerHouse"). The total purchase price for the acquisition was $14.8 million, comprising $6.3 million in cash, $6.3 million unsecured note payable and $2.2 million in adjustments to purchase price based on a customary working capital mechanism minus any outstanding debt and transaction expenses. The unsecured note payable is subject, in part, to certain requirements being met by the acquired brokerage group. As of March 31, 2021, all requirements had been satisfied, thus the $6.3 million note balance is payable in full and included as part of the purchase price. The unsecured note payable bears interest at a non-compounded rate equal to LIBOR plus 3.0% per annum, calculated on the anniversary date, and is payable in 60 monthly installments due on or before the tenth day of each month. The acquisition is part of the Company's strategic expansion plan.

The PalmerHouse acquisition was accounted for using the acquisition method of accounting under which the Company allocated the total purchase price to the tangible and identifiable intangible assets acquired based on their estimated fair values as of the acquisition date, as determined by management and the use of third-party valuation experts. The excess of the purchase price over the aggregate fair values of the identifiable assets was recorded as goodwill.

The following table shows the allocation of the final purchase price of PalmerHouse to the acquired identifiable assets, and goodwill (in thousands):

Cash	**$**	1,890
Accounts receivable [(a)]		1,416
Other current assets		54
Property and equipment		32
Other non-current assets		1,838
Intangible assets		7,100
Accounts payable		(326)
Other current liabilities		(680)
Fair value of net assets acquired (excluding goodwill)	$	11,324
Goodwill [(a)]		3,472
Total purchase consideration	$	14,796

[(a)] Subsequent to September 30, 2021, the Company recorded a measurement period adjustment based on information obtained during the fourth quarter of 2021. The measurement period adjustment was a $0.7 million increase in Accounts receivable acquired and corresponding decrease in Goodwill of the same amount.

The values allocated to identifiable intangible assets (in thousands) and their estimated useful lives are as follows:

		Preliminary Fair Value	Estimated Useful Life
Fair value of intangible assets acquired			
Agent relationships	$	4,800	5 years
Trade name		2,100	5 years
Pendings and listings		200	1 year
Intangible assets acquired	$	7,100	

Goodwill represents the excess of the purchase price over the estimated fair value assigned to tangible and identifiable intangible assets acquired and liabilities assumed and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and expected future market opportunities.

Champions Acquisition

Effective January 1, 2022, the Company completed the acquisition of Champions Real Estate Group, LLC, Champions RE Group, LLC and CREG, LLC, (collectively "Champions") a U.S. based residential real estate brokerage. The total final adjusted purchase price for the acquisition was $8.6 million, comprised of $7.2 million in cash and a $1.4 million note payable. The promissory note is non-interest bearing and was due in full on January 3, 2023. See Note 8, "Debt", for discussion. The note amount is subject to adjustments and offsets pursuant to the Stock Purchase Agreement.

The Champions acquisition was accounted for using the acquisition method of accounting under which the Company allocated the total purchase price to the tangible and identifiable intangible assets acquired based on their estimated fair values as of the acquisition date, as determined by management and the use of third-party valuation experts. The excess of the purchase price over the aggregate fair values of the identifiable assets was recorded as goodwill.

The following table shows the allocation of the final purchase price of Champions to the acquired identifiable assets, and goodwill (in thousands):

Cash	**$**	431
Accounts receivable, net		217
Other current and non-current assets		293
Intangible assets, net		2,615
Accrued expenses and other current liabilities		(451)
Commissions payable		(969)
Other non-current liabilities		(260)
Fair value of net assets acquired (excluding goodwill)	$	1,876
Goodwill		6,749
Total purchase consideration [(a)]	$	8,625

[(a)] December 31, 2022, consistent with the definition in the Stock Purchase Agreement, the Company calculated and recorded a net working capital adjustment in the amount of $0.1 million primarily related to adjustments to Commissions payable, which increased the purchase price consideration from $8.5 million to $8.6 million. The net working capital adjustment and other measurement period adjustments of $0.5 million resulted in a decrease in goodwill of $0.4 million.

The values allocated to finite-lived identifiable intangible assets (in thousands) and their estimated useful lives are as follows:

		Preliminary Fair Value	**Estimated Useful Life**
Fair value of intangible assets acquired			
Agent relationships	$	2,550	5 years
Trade name		40	5 years
Pendings and listings		25	1 year
Intangible assets acquired	$	2,615	

Goodwill represents the excess of the purchase price over the estimated fair value assigned to tangible and identifiable intangible assets acquired and liabilities assumed and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and expected future market opportunities.

4. Goodwill and Intangible Assets

Goodwill is attributable to the Real Estate Brokerage reporting unit, as follows (in thousands):

	Amount
Balance at December 31, 2020	$ 5,161
Goodwill acquired [(a)]	3,472
Balance at December 31, 2021	8,633
Goodwill acquired [(a)]	6,749
Balance at December 31, 2022	$ 15,382

[(a)] Goodwill acquired during the period ended December 31, 2021, relates to the acquisition of PalmerHouse and the goodwill acquired during the period ended December 31, 2022, relates to the acquisition of Champions. See Note 3, "Business Combinations" for discussion.

Intangible assets, net, are as follows (in thousands):

	December 31, 2021			
	Estimated Useful Life	Gross Carrying Value	Accumulated Amortization	Net
Finite-lived intangible assets:				
Agent relationships	5 years	$ 5,760	$ (1,806)	$ 3,954
Trade name	5 years	2,100	(420)	1,680
Pendings and listings	1 year	200	(200)	—
Total		$ 8,060	$ (2,426)	$ 5,634

	December 31, 2022			
	Estimated Useful Life	Gross Carrying Value	Accumulated Amortization	Net
Finite-lived intangible assets:				
Agent relationships	5 years	$ 8,310	$ (3,355)	$ 4,955
Trade name	5 years	2,140	(848)	1,292
Pendings and listings	1 year	225	(225)	—
Total		$ 10,675	$ (4,428)	$ 6,247

Amortization expense for intangible assets for the years ended December 31, 2022, and 2021, was $2.0 million and $1.8 million, respectively, and is included in Depreciation and amortization expense on the Consolidated Statements of Comprehensive Loss.

The estimated aggregate amortization expense for each of the five succeeding fiscal years is shown in the table below at (in thousands):

	Amortization Expense
2023	$ 1,920
2024	1,917
2025	1,900
2026	510
Total	$ 6,247

5. Property and Equipment, net

As of the year ended December 31, 2022, and 2021, Property and equipment, net consisted of (in thousands):

	Year Ended December 31,	
	2022	2021
Internally developed software	$ 4,822	$ 3,845
Furniture	501	495
Office and computer equipment	960	911
Vehicles	94	94
Equipment under finance lease (see Note 6)	257	-
Leasehold Improvements	115	115
Total Property and equipment	6,749	5,460
Less: Accumulated depreciation and amortization	(3,991)	(2,815)
Property and equipment, net	$ 2,758	$ 2,645

Included in internally developed software at December 31, 2022, is an insignificant amount in development, not yet placed into service and depreciating. Depreciation and amortization expense related to property and equipment for the years ended December 31, 2022, and 2021, was of $1.2 million and $0.8 million, respectively, and is included in the Depreciation and amortization expense on the Consolidated Statements of Comprehensive Loss.

6. Leases

The Company's lease portfolio consists of leases for office space and equipment. At inception, the Company reviews and determines if an arrangement meets the definition of a lease. Material lease contracts are generally for buildings and the determination of whether such contracts contain leases generally does not require significant estimates or judgments. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the Consolidated Statements of Comprehensive Loss. Management elected the short-term lease recognition exemption for all of the Company's leases that qualify, in addition to the practical expedient to not separate lease and non-lease components.

Buildings

HomeSmart leases corporate offices in Scottsdale, Arizona and maintains office locations throughout the United States. As of December 31, 2022, the Company has 48 building leases with lease terms ranging from less than 1 year to 10 years. Many real estate leases include one or more options to renew or terminate a lease. The exercise of a lease renewal or termination option is assessed on an ongoing basis and only reflected in the lease term if the Company is reasonably certain to exercise the option. None of the building leases contain residual value guarantees or purchase options and all building leases as of December 31, 2022, are operating leases. Building leases comprise more than 99% of the total operating lease liability as of December 31, 2022. Leased office space is available for use by real estate agents contracted with the Company. Should an agent or group of agents desire a designated space for exclusive use, such space may be sub-leased from HomeSmart.

Equipment Leases

HomeSmart also engages in leases related to office equipment to support field operations, some of which include an option to purchase the equipment at the end of the lease. Equipment leases include both financing and operating leases.

Lease Assets and Liabilities

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. For leases with an initial term greater than twelve months, HomeSmart recognizes a lease asset and liability at the commencement date. Lease assets are initially measured at cost, which includes the initial amount of the lease liability, plus any initial direct costs incurred, less lease incentives received.

For both operating and finance leases, the liabilities are initially and subsequently measured based on the present value of the unpaid lease payments over the lease term calculated using the Company's incremental borrowing rate, unless the implicit rate is readily determinable. Management is required to use estimates and judgments in the determination of lease and assets and liabilities. Key estimates and judgments include the following:

Lease Discount Rate – The Company is required to discount unpaid fixed lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the implicit rate for operating leases cannot be determined and the Company's incremental borrowing rate is used. Some finance leases may have an interest rate implicit in the lease. The incremental borrowing rate is determined at the commencement of each lease and is updated only if there is subsequent modification to the lease.

The Company's incremental borrowing represents the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term in a similar economic environment.

Lease Term – Lease terms include the non-cancellable period of the lease plus any additional periods covered by an option to extend or terminate the lease that the Company is reasonably certain to exercise.

Fixed Payments – Lease payments included in the measurement of the lease liability include the following: fixed payments owed over the lease term, termination penalties if HomeSmart expects to exercise a termination option and the price to purchase the underlying asset if the Company is reasonably certain to exercise the purchase option.

Supplemental balance sheet information related to leases as of December 31, 2022, is as follows:

Weighted-average remaining lease terms and discount rates:	
Weighted average remaining lease term-finance leases (in years)	2.9
Weighted average remaining lease term-operating leases (in years)	6.4
Weighted average discount rate-finance leases	15.19%
Weighted average discount rate-operating leases	4.60%

As of December 31, 2022, the undiscounted future lease payments for operating and finance lease liabilities were as follows (in thousands):

	Operating	Finance
2023	$ 2,961	$ 62
2024	2,785	52
2025	2,413	31
2026	1,451	8
2027	1,261	1
Thereafter	4,558	-
Total lease payments	$ 15,429	$ 154
Less: Interest	(2,189)	(28)
Present value of Lease Liabilities	$ 13,240	$ 126

The company has several leases with related parties, values of which are included in consolidated total operating lease information above. All leases with related parties are operating leases for office space.

The table below shows the related party lease undiscounted future lease payments for operating lease liabilities as of December 31, 2022 (in thousands). See Note 16, "Related Party Transactions", for additional discussion.

	Related Party Operating Leases
2023	$ 476
2024	424
2025	287
2026	242
2027	242
Thereafter	866
Total lease payments	$ 2,537
Less interest	(381)
Present value of lease liabilities	$ 2,156

Leases on Consolidated Balance Sheets:

As of December 31,2022, the Consolidated Balance Sheets, as presented, has the following lease related balances (in thousands):

Operating Leases:		
Operating leases right-of-use assets	$	13,190
Current portion of operating lease liabilities	$	2,409
Long term operating lease liabilities		10,831
Total operating lease liabilities	$	13,240
Finance Leases:		
Assets:		
Property and equipment	$	257
Accumulated depreciation		(129)
Property and equipment, net	$	128
Liabilities:		
Accrued expenses and other current liabilities-short term liability	$	47
Other non-current liabilities-long term liability		79
Total finance lease liabilities	$	126

Lease Expense and Activity

Payments due under lease contracts include fixed payments plus, for many leases, variable payments. Fixed payments are recognized on a straight-line basis over the term of the lease, including any periods of free rent. Variable expenses associated with leases are recognized when they are incurred. For building leases, variable payments include such items as allocable property taxes, local sales and business taxes, and common area maintenance charges. Variable payments associated with equipment leases include such items as local sales and business taxes and certain non-lease components, such as maintenance and other services provided by the lessor. In the Company's Consolidated Statements of Comprehensive Loss, expenses for operating leases are recognized within general and administrative expenses, amortization of assets held under finance leases is included in depreciation and amortization expense and interest associated with finance leases is included in interest expense.

Supplemental income statement information related to leases for the twelve months ended December 31, 2022, is as follows (in thousands):

Finance lease expense:		
Amortization of finance lease right-of-use assets	$	66
Interest on finance lease obligation		23
Total finance lease expense	$	89
Operating lease expense:		
Short term lease expense	$	105
Fixed lease expense		3,604
Variable lease expense		342
Less: Sublease income		(400)
Total operating lease expense	$	3,651

Supplemental cash flow information related to leases for the twelve months ended December 31, 2022, is as follows (in thousands):

Cash paid for amounts include in the measurement of lease liabilities:		
Operating cash flows from finance leases	$	23
Operating cash flows from operating leases, fixed payments		3,554
Financing cash flows from finance leases		59

Supplemental non-cash flow information for the twelve months ended December 31, 2022, is as follows (in thousands):

Right-of-use assets obtained in exchange for new or modified lease obligations:		
Finance leases	$	40
Operating leases		16,316
Total right-of-use assets obtained	$	16,356

7. Accrued Expenses and Other Current Liabilities

Accrued expenses as of December 31, 2022, and 2021 consisted of the following (in thousands):

	December 31, 2022	December 31, 2021
Accrued expenses	$ 2,971	$ 3,592
Current portion of contract liabilities	737	681
Short term finance lease liability	47	-
Other	357	676
Total accrued expenses and other current liabilities	$ 4,112	$ 4,949

8. Debt

Secured Credit Facilities

In February 2017 the Company entered into an Operating Secured Credit Facility with a bank for which draws may be used for acquisitions and general corporate purposes. The Operating Secured Credit Facility is secured by all of the personal property and assets of HomeSmart LLC and HomeSmart International, LLC, in addition to being personally guaranteed by the Founder's family trust. In September 2021, the Company extended the maturity date one month to October 10, 2021. Borrowings bear interest at a rate equal to the London interbank offered rate ("LIBOR"), plus an applicable margin.

In September 2021, the Company entered into a new secured credit facility agreement ("New Facility") with a different lender, to replace the preexisting Operating Secured Credit Facility. The New Facility may be used to fund acquisitions and general corporate expenditures, with a maximum borrowing capacity of $24.5 million originally maturing on September 27, 2022.

In April 2022, the Company amended its New Facility to extend the maturity date of the New Facility to September 27, 2023; maximum borrowing capacity under the amended agreement remains $24.5 million. Also incorporated in the amendment, was the transition to the Standard Overnight Financing Rate ("SOFR") from LIBOR as the benchmark for determining interest rates on borrowings drawn on the New Facility. No other substantive terms of the original agreement were changed as a result of the amendment.

On September 28, 2022, the Company paid approximately $16.3 million using proceeds from a new term loan (see Secured Promissory Notes, Term Loan, for discussion) and closed the New Facility. At the time of this payment all commitments under the agreement were terminated, the lender discharged and released all guarantees and liens existing in connection with the loan and the original loan agreement schedule was terminated.

Secured Promissory Notes

In September 2022, the Company entered into secured promissory notes, consisting of a $16.3 million Term Loan ("Term Loan") and an $18.8 million revolving line of credit ("Revolver"). The Term Loan has a maturity of September 2027, while the Revolver matures in September of 2024. Both agreements are secured by all the assets of the Company and all the shares of the Company held by the sole shareholder.

The Term Loan has an interest rate of thirty-day SOFR plus 2.5% and a corresponding interest rate swap agreement entered into as of October 2022. See Interest Rate Swap below. On December 31, 2022, the Company had approximately $15.9 million of borrowings outstanding at an interest rate of 6.624%.

The Revolver has an interest rate of thirty-day SOFR plus 2.5% with a floor of 4%. There were no draws made or outstanding on the Revolver as of December 31, 2022.

Warehouse Line of Credit

In December 2019, the Company entered into a secured credit facility agreement ("Warehouse Line of Credit") with a bank which is used exclusively to fund originated mortgages which are subsequently resold to designated investors. In March 2022, the Company amended its Warehouse Line of Credit with the lender, in which the applicable margin rate was transitioned to SOFR from LIBOR. The Warehouse Line of Credit is secured by the properties by which proceeds from the originated mortgages were used to purchase. The Warehouse Line of Credit agreement provides a maximum borrowing capacity of $5.0 million. All mortgage borrowings are subjected to a minimum interest rate of 4.5%. All borrowings outstanding for 31 days or greater bear interest at a rate equal to SOFR plus an applicable escalating margin ranging from 0% to 10.0%, or 11.5%, whichever is greater, depending on the length outstanding of the respective borrowing. The terms of the Warehouse Line of Credit require the borrowings associated with each mortgage to be repaid upon the sale of the mortgage to a third party. The Company may repay the respective borrowings in whole or in part at any time.

As of December 31, 2021, the Company was in compliance with the covenants under the Warehouse Line of Credit.

The interest rate in effect at December 31, 2022, and 2021, was 6.3% and 4.5%, respectively. At December 31, 2022 and 2021, the Company had $0 million and $1.9 million, respectively, of borrowings outstanding and $5.0 million and $3.1 million, respectively, of additional borrowing capacity under its Warehouse Line of Credit agreement.

Related Party Notes Payable

On May 1, 2017, the Company issued a $2.3 million promissory note with a non-compounded interest rate of 5.0% per annum in connection with a business combination, maturing in May 2022. As of December 31, 2022, and 2021, the outstanding balance was $0 and $0.2 million, respectively.

On March 31, 2021, in conjunction with the Reorganization, the Company entered into two unsecured promissory notes payable with legal entities the Founder holds a 100% ownership interest in. The two notes payable, effectively due to the Founder, were issued with initial principal balances of $7.0 million and $3.0 million. Both bear interest at a rate of 3.0% per annum and mature in March 2029. The two outstanding promissory notes may be prepaid by Holdings in whole or in part at any time, without premium or penalty. As of December 31, 2022, $4.0 million and $0 million was outstanding on the notes payable with initial principal balances of $7.0 million and $3.0 million, respectively. The promissory notes were treated as a dividend to the Founder and recorded as a reduction to retained earnings.

In December 2022, the Company issued a $2.0 million note to the Founder, maturing in December 2027. The note bears a rate of interest of 12% per annum and as of December 31, 2022, the outstanding balance was $2.0 million.

As of December 31, 2022, there is $0.2 million in accrued interest for related party notes payable accrued on the Consolidated Balance Sheets. Related party note payable accrued interest is included in Long-term related party note payable on the Consolidated Balance Sheets.

Acquisition Related Notes Payable

On January 1, 2021, the Company issued a five year $6.3 million note with a non-compounded interest rate of LIBOR plus 3.0% per annum in connection with the PalmerHouse acquisition, maturing in April 2026. As of December 31, 2022, the outstanding balance was $4.2 million.

In January 2022, the Company issued a non-interest bearing one year $1.3 million note in connection with the Champions acquisition, maturing in January 2023. The note balance was subsequently increased to $1.4 million which was the outstanding balance as of December 31, 2022. See Note 3, Business Combinations.

Interest Rate Swap

In October 2022, the Company entered into a pay-fixed, receive-floating interest rate swap (the "Swap") to mitigate variability in forecasted interest payments on an amortizing notional of $14.5 million of the Company's variable-rate Term Loan. The Company designated the Swap as a cash flow hedge.

As of December 31, 2022, information pertaining to the Swap was as follows:

Notional Amount (in thousands)	Fair Value	Pay-Fixed	Receive-Floating	Maturity Date
$ 14,350	$ 311	4.58 %	30-day SOFR	September 29, 2027

As of December 31, 2022, the fair value of the Swap was $0.3 million and is included in other non-current liabilities in the accompanying Consolidated Balance Sheets.

For the year ended December 31, 2022, amounts reported in other comprehensive loss in the accompanying Consolidated Statements of Comprehensive Loss is $.3 million. During the year ended December 31, 2022, $10 thousand was reclassified out of other comprehensive loss and charged to interest expense, net in the accompanying Consolidated Statements of Comprehensive Loss related to the settlement of monthly interest payments.

Future Debt Obligations

The combined aggregate maturities for debt as of December 31, 2022, is as follows (in thousands):

	Notes Payable- Unrelated (a)	Notes Payable- Related Party (b)	Total Notes Payable
2023	$ 4,570	$ —	$ 4,570
2024	3,302	—	3,302
2025	3,574	—	3,574
2026	2,698	—	2,698
2027	7,516	2,000	9,516
Thereafter	—	4,000	4,000
Total	$ 21,660	$ 6,000	$ 27,660

(a) Included with long term notes payable on the balance sheet is $0.1 million deferred financing fees.
(b) Included with long term related party notes payable on the balance sheet is $0.2 million in accrued interest.

9. Income Taxes

The Company's provision for income taxes for the year ended December 31, 2022, is based on its financial results through the end of the period.

The U.S. and non-U.S. components of income before income taxes for the years ended December 31, 2022, and 2021 are as follows (in thousands):

	Year Ended December 31,	
	2022	2021
United States	$ (11,044)	$ (6,354)
Foreign	72	1,259
Loss before income taxes	$ (10,972)	$ (5,095)

The components of income tax expense (benefit) for the years ended December 31, 2022, and 2021 are as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Current		
Federal	$ (42)	$ 188
State	25	45
Foreign	3	118
Total Current	$ (14)	$ 351
Deferred:		
Federal	$ 823	$ (901)
State	188	(202)
Foreign	-	-
Total Deferred	1,011	(1,103)
Income tax expense (benefit)	$ 997	$ (752)

Prior to the Reorganization in the second quarter of 2021, the HomeSmart Subsidiaries were primarily taxed as pass-through entities for federal and state income tax purposes. Accordingly, for federal and state income tax purposes, most income, loss, and other tax attributes pass through to the member's income tax returns. HomeSmart Holdings Inc. is not considered a pass-through entity for federal and state income tax purposes.

On April 1, 2021, the Company completed its Reorganization and HomeSmart Subsidiaries are no longer considered pass-through entities for federal and state income tax purposes. As such, the Company established a net deferred income tax liability of $0.2 million to account for the effects of differences in the tax basis and financial statement carrying amounts of assets and liabilities. The establishment of the net deferred tax liability is caused by transactions with a shareholder; and as such, it was recorded through retained earnings.

The Company’s income tax results differed from the amount computed by applying the relevant U.S. statutory federal income tax rate to income before income taxes A reconciliation of the federal statutory tax rate to the effective tax rate for the years ended December 31, 2022, and 2021 are as follows (in thousands):

	December 31, 2022		December 31, 2021	
	Tax	Percent	Tax	Percent
Tax benefit at statutory federal rate	$ (2,334)	21.0 %	$ (1,068)	21.0 %
State tax benefit, net	(200)	1.8 %	(157)	3.2 %
Non-deductible transaction costs	774	(7.0) %	278	(5.5) %
GILTI	20	(0.2) %	140	(2.8) %
Non-taxable income	-	- %	84	(1.7) %
Other	92	(0.8) %	64	(1.3) %
Valuation allowance	2,645	(23.8) %	-	- %
Foreign rate differential	(9)	0.1 %	(220)	4.4 %
Investment in foreign entities	9	(0.1) %	127	(2.5) %
Total	$ 997	(9.0) %	$ (752)	14.8 %

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities calculated under U.S. GAAP and the amounts calculated for preparing our income tax returns. There is no net deferred tax asset balance as of December 31, 2022. As of December 31, 2021, there was a $1.2 million net deferred tax asset in other non-current assets on the accompanying Consolidated Balance Sheets.

	December 31,	
	2022	2021
Deferred tax assets:		
Allowance for credit losses	$ 94	$ 141
Intangibles	894	504
Deferred revenue	394	400
Stock based compensation	1,283	1,273
Accrued compensation	47	161
Net operating loss	677	3
Interest carryforward	285	—
Other	37	40
Total deferred tax assets	$ 3,711	$ 2,522
Less: valuation allowance	(2,648)	(3)
Total deferred income tax assets after valuation allowance	$ 1,063	$ 2,519
Deferred tax liabilities:		
Prepaid expenses	(51)	(123)
Plant, property & equipment	(424)	(577)
Equity Investment	(453)	(462)
Investment in foreign entities	(125)	(124)
Other	(10)	(66)
Total deferred tax liabilities	$ (1,063)	$ (1,352)
Net deferred tax assets	$ —	$ 1,167

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. In considering the need for a valuation allowance, the Company considers historical, as well as future, projected taxable income along with other objectively verifiable evidence. As such, Management has determined a full valuation allowance is required. As of December 31, 2022, the Company has $0.6 million of tax-effected Federal net operating losses, which do not expire, and $0.1 million of tax-effected state net operating losses, which begin to expire in 2033.

As a result of the pass-through structure, the members are responsible for any tax matters arising from an examination prior to the April 1, 2021, Reorganization. HomeSmart Subsidiaries and HomeSmart Holdings Inc. are responsible for any tax matters arising from an examination. Years in which an audit remains open for the corporate entity within the organization are 2018, 2019, 2020 and 2021. As of December 31, 2022, the Company has no uncertain tax positions.

Due to the changes in the Tax Cuts and Jobs Act of 2017 distributions of cash to the U.S. as dividends generally will not be subject to U.S. federal income tax. We have provided foreign withholding taxes on the undistributed earnings of our foreign subsidiaries, over which we have sufficient influence to control the distribution of such earnings and have determined that substantially all such earnings will not be reinvested indefinitely.

The Company reflects changes in its liability for unrecognized tax benefits as income tax expense in the Combined Statements of Income. As of December 31, 2021, and December 31, 2022, the Company did not have any unrecognized tax benefits.

10. Commitments and Contingencies

Litigation

From time to time, the Company may be involved in disputes or regulatory inquiries that arise in the ordinary course of business. When the Company determines an adverse outcome that could result in a loss to the Company, is both probable and reasonably estimable, a liability is recorded and disclosed. If an adverse outcome is probable, but not reasonably estimable, the Company discloses the nature of the claim and the fact that the amount of a contingent loss is not reasonably estimable. When a loss contingency is only reasonably possible, the Company does not record a liability, but instead discloses the nature and the amount of the claim and an estimate of the loss or range of loss, if such contingent loss is reasonably estimable. Legal costs related to the defense of loss contingencies are expensed as incurred.

Realty Mark LLC v. William Kratz, HomeSmart International LLC, Revo Realty Group LLC d.b.a. HomeSmart Realty Advisors

On January 6, 2021, a subsidiary of HomeSmart Holdings, Inc (HomeSmart International, LLC) was named as a Defendant in a lawsuit filed in the Court of Common Pleas, Philadelphia County, Pennsylvania. The Plaintiff, Realty Mark, LLC, claims that various Defendants tortiously interfered with its contract, beneficial business relationships, and prospective economic advantages, in addition to its claims for negligence, unfair competition and civil conspiracy. HomeSmart International LLC has answered the claims and discovery is proceeding. The Company is unable to predict the outcome of this action or to reasonably estimate the possible loss or range of loss, if any, arising from the claims asserted therein. Accordingly, the Company has not recorded any potential loss reserve as of December 31, 2022.

Tax Matters

The Company may be subject to sales and use tax in various jurisdictions within the United States. The Company is subject to regulatory audits by tax authorities whereby the outcome of the audits is uncertain. The Company believes there is appropriate support for its sales and use tax filings.

Escrow and Trust Deposits

As a service to its customers, the Company administers escrow and trust deposits which represent undisbursed amounts for the settlement of real estate transactions. Deposits at FDIC-insured institutions are insured up to $250 thousand. As of December 31, 2022, and 2021, these deposits totaled $6.1 million and $13.2 million, respectively. These escrow and trust deposits are not assets of the Company and, therefore, are excluded from the accompanying Consolidated Balance Sheets. However, the Company remains contingently liable for the disposition of these deposits.

Standard Guarantees/Indemnifications

In the ordinary course of business, the Company enters into numerous agreements that contain standard guarantees and indemnities whereby the Company indemnifies another party for breaches of representations and warranties. In addition, many of these parties are also indemnified against any third-party claim resulting from the transaction that is contemplated in the underlying agreement. Such guarantees or indemnifications are granted under various agreements, including those governing: (i) purchases, sales or outsourcing of assets or businesses, (ii) leases and sales of real estate, (iii) licensing of trademarks, (iv) use of derivatives, and (v) issuances of debt securities. The guarantees or indemnifications issued are for the benefit of the: (i) buyers in sale agreements and sellers in purchase agreements, (ii) landlords in lease contracts, (iii) franchisees in licensing agreements, (iv) financial institutions in derivative contracts, and (v) underwriters in issuances of securities. While some of these guarantees extend only for the duration of the underlying agreement, many survive the expiration of the term of the agreement or extend into perpetuity (unless subject to a legal statute of limitations). There are no specific limitations on the maximum potential amount of future payments that the Company could be required to make under these guarantees, nor is the Company able to develop an

estimate of the maximum potential amount of future payments to be made under these guarantees as the triggering events are not subject to predictability.

11. Equity

The Company has one class of shares designated as Common Stock. Each share of Common Stock has a par value of $0.01. On October 22, 2020, the Founder formed Holdings, a wholly owned Delaware corporation. In connection with the Reorganization the Company issued 54,477,907 shares of Common Stock with par value of $0.01 to the Company's Founder.

As of December 31, 2022, and 2021, the Company had 100,000,000 shares of Common Stock authorized, with 54,478,907 issued and outstanding. 100% of the shares are owned by the Founder.

The holders of the Common Stock are entitled to one vote per share and each share has equal participation in earnings and dividends. Dividends may be paid in cash, in property or in shares of the Company's Common Stock. All shares of Common Stock are "Restricted Shares", as defined by the Company's by-laws to mean that any transfer of ownership of Common Stock must be approved by the Board of Directors or a duly authorized committee.

12. Stock-based Compensation

2021 Equity Incentive Plan

In June 2021, the Company adopted the 2021 Equity Incentive Plan (the "Plan"). The Plan is a broad-based retention program and is intended to attract and retain talented employees, directors, and nonemployee consultants. Under the Plan, employees and non-employees can be granted options on common stock, restricted stock, restricted stock units ("RSUs"), and stock appreciation rights ("SARs"). Incentive stock options may be granted to employees. All other awards, including non-statutory stock options, under the Plan may be granted to employees, directors, and consultants. The exercise price shall be no less than 100% of the fair market value of such shares on the date of grant. In addition, in cases where an incentive stock option is granted to an employee who owns stock representing more than 10% of the voting power of all classes of stock of the Company or and parent or subsidiary, the per share exercise price will be no less than 110% of the fair market value of such shares on the date of grant. Generally, these awards are based on stock agreements with ten-year contractional terms subject to board approval. As of December 31, 2022, and 2021, there were 2,374,321 shares of common stock authorized for issuance under the Plan. As of December 31, 2022, there are 377,887 shares available for future grant.

Stock Appreciation Rights

SARs vest ratably over a prescribed service period lasting typically four years. SARs are either settled in cash or shares of the Company's common stock.at the discretion of the Board of Directors. Upon the exercise of any stock-settled SARs, the Company issues shares to the award holder from the pool of authorized but unissued common stock.

Under the Plan, at exercise, stock-settled SARs entitle the holder to receive one share of common stock. The Company accounts for forfeitures of awards when they occur. SARs have only service-based vesting conditions and are recognized on a straight-line basis, by vesting tranche, over the requisite service period of the awards, which is typically four years with 25% of the award's shares vesting annually during that period.

Stock-based compensation expense for SARs granted is estimated based on the award's fair value as calculated by the Black-Scholes option pricing model. The Black-Scholes model requires various assumptions, including the fair value of the underlying common stock, expected term, expected dividend yield, expected volatility of the common stock, and a risk-free interest rate. If any of the assumptions used in the Black-Scholes model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. The absence of a public market for the Company's common stock requires the Company's board of directors to estimate the fair value of its common stock for purposes of granting awards and for determining stock-based compensation expense by considering several objective and subjective factors, including contemporaneous third-party valuations, actual and forecasted operating and financial results, market conditions and performance of comparable publicly traded

companies, developments and milestones in the Company, the rights and preferences of common and preferred stock, and transactions involving preferred stock. The fair value of the Company's common stock has been determined in accordance with applicable elements of the practice aid issued by the American Institute of Certified Public Accountants, *Valuation of Privately Held Company Equity Securities Issued as Compensation*. As the Company has no active trading history, expected volatility was derived from historical volatilities of selected public companies deemed to be comparable to the Company's business. The expected term represents the period that the Company's stock-based awards are expected to be outstanding. As the Company does not have sufficient historical experience for determining the expected term of the stock option awards granted, it has based its expected term on the simplified method available under U.S. GAAP. The risk-free interest rate is based on the implied yield currently available on U.S. treasury notes with terms approximately equal to the expected term of the option. The expected dividend rate is zero as the Company currently has no history or expectation of declaring dividends on the common stock. The weighted-average assumptions used to determine the fair value of SARs granted during the periods is as follows:

	Year Ended December 31	
	2022	2021
Expected Term	6.25 years	6.10 years
Risk-free interest rate	2.61 %	1.09 %
Expected volatility	72.57 %	59.22 %
Dividend rate	0.00 %	0.00 %
Fair value of common stock	$2.69	$12.04 - $12.54
Weighted average grant date fair value of SARs granted	$ 6.01	$ 6.77

A summary SAR activity under the Plan is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (in years)	Aggregate Intrinsic Value (in thousands) [1]
Balance as of December 31, 2020	—	$ —	—	$ —
Granted	512,360	12.29	9.71	—
Exercised	—	—	—	—
Forfeited	45,400	12.23	—	—
Balance as of December 31, 2021	466,960	$ 12.04	9.71	$ 115
Granted	95,190	10.67	8.83	—
Vested	88,294	12.21	8.64	—
Forfeited	156,958	12.54	—	—
Balance as of December 31, 2022	316,898	$ 10.67	8.83	$ —

[1] Based upon the difference between the fair market value of the Common Stock on the last day of the year and the grant price of in-the-money SARs.

Stock-based compensation recognized during the year ended December 31, 2022, and 2021 associated with SARs was $0.6 million and $0.4 million, respectively. As of December 31, 2022, there were unrecognized compensation costs of $1.4 million related to these SARs, which are expected to be recognized over a weighted-average period of 2.22 years.

Restricted Stock and Restricted Stock Units

RSUs granted under the Plan have a service-based vesting condition that is typically satisfied over a four-year period, with 25% of the shares vesting on each of the one-, two-, three-, and four-year anniversaries of the vesting commencement date, and some awards have a performance vesting condition. The performance vesting condition occurs at the discretion of the Board of Directors or on the earlier of (i) the consummation of an initial public offering of any class of the Company's securities on an internationally recognized stock exchange, or (ii) a change of control. From an equity-based accounting perspective, a change of control event and initial public offering are not probable until consummated. Thus, as of December 31, 2022, the Company had not achieved the performance condition. A summary of RSU activity under the Plan is presented below:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance as of December 31, 2020	—	$ —
Granted	1,852,631	12.09
Vested and converted to common stock	—	—
Forfeited	—	—
Balance as of December 31, 2021	1,852,631	$ 12.09
Granted	131,456	6.44
Vested and issued [(a)]	—	—
Settlement of vested stock units [(b)]	54,379	12.04
Forfeited	250,172	11.72
Balance as of December 31, 2022	1,679,536	$ 11.38

(a) During the period there were 445,902 shares that vested but no stock was issued.

(b) Certain vested restricted stock units were settled for $0.3 million for three employees during 2022. The settlement eliminated any future issuances for those vested units.

During the year ended December 31, 2022, and 2021, the Company granted 131,456 and 1,852,631 RSUs, respectively, with a service-based vesting condition and recognized $4.9 million and $4.7 million, respectively of expense related to these RSUs. As of December 31, 2022, there were unrecognized compensation costs of $10.5 million related to these RSUs, which are expected to be recognized over a weighted-average period of 2.22 years.

In July 2021, the Company modified an existing RSU agreement with one of its employees. As result of the modification, $0.3 million was reclassified from Other non-current liabilities to Additional paid-in capital. No incremental compensation expense was recognized as a result of the modification.

Stock-based Compensation Expense

Total stock-based compensation expense included in the Consolidated Statements of Comprehensive Loss is as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Commissions and other related costs	$ 143	$ 121
General and administrative	4,259	3,727
Sales, marketing and advertising	1,040	1,216
Total stock-based compensation expense	$ 5,442	$ 5,064

13. Net Loss Per Share

Basic earnings per share is computed based on net income (loss) divided by the basic weighted-average shares outstanding during the period. Dilutive earnings per share is computed consistently with the basic computation while giving effect to all dilutive potential common shares and common share equivalents that were outstanding during the period, if any. The Company uses the treasury stock method to reflect the potential dilutive effect of unvested stock awards and unexercised options, if any. The following table sets forth the computation of basic and diluted earnings per share (in thousands, except shares and per share data):

	Year Ended December 31,	
	2022	2021
Net loss	$ (11,969)	$ (4,343)
Weighted-average shares used in computing earnings per share, basic and diluted	54,478,907	54,478,907
Net loss per share, basic and diluted	$ (0.22)	$ (0.08)

For the year ended December 31, 2022, and 2021, 1,790,289 and 2,319,591 employee stock awards were excluded from the diluted EPS calculation because they were determined to be anti-dilutive.

14. Fair Value Measurements

Mortgage Loans Held for Sale

The Company values its loans held for sale using Level 2 inputs derived from observable market data in the form of purchase commitments, for each of the respective loans, entered into with secondary mortgage market buyers. The calculated gain/loss for loans held for sale, based on these Level 2 inputs, is reduced subject to an estimated funding probability factor (or "pull-through factor"). The pull-through factor is determined based on historical experience.

Interest Rate Lock Commitments ("IRLCs")

The Company enters into interest rate lock commitments with customers. IRLCs are recorded at fair value. The fair value of IRLCs is based on current market prices of securities backed by similar mortgage loans (as determined above under mortgage loans held for sale), net of costs to close the loans, subject to the estimated loan funding probability, or "pull-through factor". Given the significant and unobservable nature of the pull-through factor, IRLCs are classified as Level 3; however, the IRLCs are not material to the Company's financial statements.

Secured Credit Facilities

Borrowings under the Company's Secured credit facilities are recorded at carrying value, which approximates fair value due to the frequent nature of such borrowings and repayments. The Company considers these as a Level 2 input.

The tables below show a summary of financial statement items that are measured at estimated fair value on a recurring basis. There were no material transfers of assets or liabilities recorded at fair value on a recurring basis between Levels 1, 2 or 3 during the year ended December 31, 2022, or the year ended December 31, 2021.

The following table presents assets which are measured at fair value on a recurring basis as of December 31, 2022, and 2021 (in thousands):

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Mortgage loans held for sale	$ —	$ 2,015	$ —	$ 2,015
IRLCs	—	—	40	40
Total assets	$ —	$ 2,015	$ 40	$ 2,055

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Mortgage loans held for sale	$ —	$ —	$ —	$ —
IRLCs	—	—	19	19
Total assets	$ —	$ —	$ 19	$ 19

The following table presents liabilities which are measured at fair value on a recurring basis as of December 31, 2022 (in thousands):

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Liabilities				
Interest rate swap	—	311	—	311
Total liabilities	$ —	$ 311	$ —	$ 311

The Company measures the fair value of its financial assets and liabilities using the highest level of inputs that are available as of the measurement date. The carrying amounts of cash, accounts receivable, and accounts payable approximate their fair value due to the immediate or short-term maturity of these financial instruments. See Note 8, “Debt”, for additional information on the interest rate swap.

The Company’s Term Loan approximates fair value due to the Term Loan’s variable interest rate terms. As of December 31, 2022, the fair value of the Company’s Term Loan approximated its carrying value.

As of December 31, 2022, and 2021, the estimated fair values of financial liabilities that are not recorded at fair value on a recurring or non-recurring basis were not materially different from their carrying values.

15. Segment Reporting

The reportable segments presented below represent the Company’s segments for which separate financial information is available and which is utilized on a regular basis by its chief operating decision maker (“CODM”) to assess performance and to allocate resources. The Company’s CODM is the Chief Executive Officer. In identifying its reportable segments, the Company considers the nature of services provided by its segments.

The Company has organized its operations into three operating and reportable segments: Real Estate Brokerage, Franchise, and Affiliated Business Services. These segments reflect the way the CODM allocates resources and evaluates financial performance, which is based upon each segment's EBITDA. EBITDA is defined as earnings before interest expense, net, income tax expense, depreciation and amortization, and other income, net. These charges are excluded from evaluation of segment performance because it facilitates reportable segment performance comparisons on a period-to-period basis as these costs may vary independent of business performance. The Company does not allocate certain corporate expenses. These expenses are included with intercompany eliminations and disclosed separately for reporting purposes.

Real Estate Brokerage

The Company is engaged by its customers to assist with buying, selling, or leasing property and generates Real estate brokerage income. In exchange for its services, the Company is compensated by commission revenue earned upon closing of the sale of a property or execution of a lease.

Franchise

The Company franchises its real estate brand to real estate brokerage businesses that are independently owned and operated. Franchise revenue principally consists of royalty and marketing fees from the Company's franchisees. The royalties received by the Company are primarily derived from the number of agents affiliated with each franchisee and the number of closed transactions by each franchisee each month.

Affiliated Business Services

Beginning in 2020, the Company acts as a mortgage lender with the expectation of subsequently selling the loans it originates, in the short term. The Company also provides title and escrow services.

Segment Revenues

The following tables present the Company's revenues disaggregated by segment (in thousands):

	Revenues Year Ended December 31,	
	2022	2021
Real estate brokerage	$ 561,269	$ 617,259
Franchise	14,217	12,813
Affiliated business services	4,864	6,526
Corporate and eliminations [(a)]	(9,840)	(8,633)
Total Revenue	$ 570,510	$ 627,965

[(a)] During 2022, the Company modified its method used in its analysis and evaluation of segment revenue to break out un-allocated corporate revenue. For comparability, the 2021 amounts in the revenue table above were revised to reflect this change in methodology. The separate disclosure of unallocated corporate revenue is viewed by the Company to present a clearer picture of its revenue allocation by segment.

Intercompany revenues associated with services charged to Company owned brokerages have been eliminated in consolidation.

Segment EBITDA

The Company allocates certain operating expenses to the operating and reportable segments, including customer service and merchant fees and selling, operations, technology, general and administrative based on the usage and relative contribution provided to the segments. It excludes from allocations certain operating expense lines, including depreciation and amortization, interest (expense), net, other (income) expense, net and provision for income taxes,

net. Set forth in the tables below is a reconciliation of net loss to EBITDA presented by reportable segment for the years ended December 31, 2022, and 2021 (in thousands):

	Year Ended December 31,	
	2022	2021
Net loss	$ (11,969)	$ (4,343)
Income tax expense (benefit)	997	(752)
Loss before income taxes	(10,972)	(5,095)
Add: Depreciation and amortization	3,238	2,644
Interest expense	1,263	696
EBITDA	$ (6,471)	$ (1,755)

Segment EBITDA

	Year Ended December 31,	
	2022	2021
Real estate brokerage	$ 10,730	$ 4,800
Franchise	7,247	5,488
Affiliated business services	(1,644)	(222)
Corporate[(b)] and eliminations	(22,804)	(11,821)
Total Company	$ (6,471)	$ (1,755)

[(b)] During 2022, the Company modified its method used in its analysis and evaluation of segment EBITDA to break out the EBITDA impact of un-allocated corporate revenue and expense. For comparability, the 2021 amounts in the EBITDA table above were revised to reflect this change in methodology. The separate disclosure of unallocated corporate EBITDA is viewed by the Company to present a clearer picture of its EBITDA allocation by segment.

Segment Assets

	Year Ended December 31,	
	2022	2021
Real estate brokerage	$ 29,830	$ 23,072
Franchise	1,474	2,169
Affiliated business services	5,125	8,582
Corporate [(c)]	12,612	14,586
Total Company	$ 49,041	$ 48,409

[(c)] During 2022, the Company modified its method used in its analysis and evaluation of segment assets, break out un-allocated corporate assets. For comparability, the 2021 amounts in the Segment Assets table above were revised to reflect this change in methodology. The separate disclosure of unallocated corporate assets is viewed by the Company to present a clearer picture of its asset allocation by segment.

16. Related Party Transactions

The following table summarizes the composition and amounts of transactions with the Company's affiliates reflected in operating expenses in the Consolidated Statements of Comprehensive Loss for the years ended December 31, 2022, and 2021 (in thousands):

	Year Ended December 31, 2022	2021
General and administrative expenses	$ 952	$ 582
Interest expense	157	-
Other expense (income), net	(98)	-
Total related party expenses	$ 1,011	$ 582

Amounts included within general & administrative expense include $0.6 million expense for office space leased from a related party, $0.1 million expenses related to an employee paid by the Company's internal professional employer organization working for a related entity and $0.3 million consulting fees paid to a related party for 2022. Amounts included in general and administrative expense for 2021 are primarily related to office space leased from a related party. Interest expense is from related party notes payable. See Note 8, "Debt" for discussion. Amount included in other income, net primarily relates to reimbursable labor expense from the Company's professional employer organization who is completing work for a related party entity.

The following table summarizes affiliate amounts included in the asset and liability balances on the Company's Consolidated Balance Sheets as of December 31, 2022, and 2021 (in thousands).

	Year Ended December 31, 2022	2021
Assets		
Accounts receivable, net	$ 30	$ -
Due from related parties	140	77
Operating lease assets	2,156	-
Total assets	$ 2,326	$ 77
Liabilities		
Accounts payable	$ 7	$ -
Accrued expenses and other current liabilities	3	-
Current portion of operating lease liabilities	476	-
Due to related parties	20	381
Long-term related party note payable	6,217	7,000
Long-term operating lease liabilities	2,061	-
Total liabilities	$ 8,784	$ 7,381

For discussion on related party operating leases see Note 6, "Leases". For discussion on related party notes payable see Note 8, "Debt".

For the years ended December 31, 2022, and 2021, the Company made equity distributions of $0 and $1.6 million, respectively, to the Founder. During the same time periods, the Founder made equity contributions of $0 and $0.4 million, respectively.

17. Subsequent events

The Company have identified the following subsequent events through March 31, 2023, the date at which the Consolidated Financial Statements were available for issuance.

Solid Source Purchase Agreement

Effective January 1, 2023, the Company completed the acquisition of Solid Source Realty, Inc., Solid Source Realty GA, LLC, Office Billing Services, LLC, Solid Source Commissions, LLC, Genesis Referrals, LLC, Clarity School of Real Estate, LLC and Solid Source Vision, LLC ("Solid Source") a U.S.-based residential real estate brokerage. The Company also acquired Solid Source Companies, LLC, which owns a 50% interest in Solid Title, LLC. The total purchase price for the acquisition was $12.6 million, comprising $6.3 million in cash and a $6.3 million unsecured note payable, subject to certain working capital adjustments that have not yet been finalized. As a result, the purchase price may change. The promissory note is at 3% per annum interest and is payable in monthly installments of

$113,000, beginning April 1, 2023, over a period of five years. The note amount is subject to adjustments and offsets pursuant to the Purchase Agreement.

Champions Acquisition

In January 2023 the company paid $1.4 million of the non-interest-bearing note related to the Champions acquisition (see Note 8, “Debt”).

Palmer House Acquisition

On January 1, 2023, the Palmer House acquisition note payable interest rate was adjusted from LIBOR plus 3% spread to a rate of 8.48214% which is the LIBOR rate at January 1, 2023 plus 3% spread. See Note 8, “Debt”, for discussion.

Debt Agreements

On January 3, 2023, the Company and lender executed an amendment to the Secured Promissory Note (the Note) executed in October 2022 (see Note 8, “Debt”, for discussion). This amendment waives financial covenant testing for calendar year 2022, modifies covenant calculations based on a $2.0 million capital contribution by the Company’s Founder and adjusts the Note’s interest rate to a rate of thirty-day SOFR plus 2.5% with a floor of 5%.

Capital Contribution

On March 29, 2023, the Company received a capital contribution from the Founder in the amount of $2.5 million.

KPMG LLP
Suite 800
60 East Rio Salado Parkway
Tempe, AZ 85281-9125

Independent Auditors' Acknowledgement

The Board of Directors
HomeSmart Holdings, Inc.:

We agree to the inclusion in the Franchise Disclosure Document dated April 22, 2022 issued by HomeSmart International LLC (the Franchisor) of our report, dated April 22, 2022, relating to the consolidated financial statements of its parent, HomeSmart Holdings, Inc. and subsidiaries as of December 31, 2021 and 2020, and for the years then ended.

KPMG LLP

Phoenix, Arizona
April 22, 2022

KPMG LLP a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

HomeSmart Holdings, Inc.
Consolidated Financial Statements
For the years ended December 31, 2020 and 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
HomeSmart Holdings, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of HomeSmart Holdings, Inc. and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2020.

Phoenix, Arizona
April 22, 2022

HomeSmart Holdings, Inc.
Consolidated Statements of Operations
(In thousands, except share and per share data)

	Year Ended December 31, 2020	2021
Revenue		
Real estate brokerage	$ 380,890	$ 614,477
Franchise	5,635	7,022
Affiliated business services	5,981	6,466
Total revenue	392,506	627,965
Operating expenses		
Commission and other agent-related costs (includes $2,092 and $0, respectively, to related parties)	362,059	586,150
General and administrative (includes $9,653 and $583 respectively, to related parties)	16,576	37,072
Sales, marketing, and advertising (includes $3,067 and $0, respectively, to related parties)	3,975	7,310
Depreciation and amortization	911	2,644
Total operating expenses	383,521	633,176
Income (loss) from operations	**8,985**	**(5,211)**
Interest expense	182	696
Other income, net	557	812
Income (loss) before income taxes	9,360	(5,095)
Income tax expense (benefit)	155	(752)
Net income (loss)	**$ 9,205**	**$ (4,343)**
Earnings (net loss) per share, basic and diluted	0.17	(0.08)
Weighted average common shares outstanding, basic and diluted	54,141,164	54,478,907

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

HomeSmart Holdings, Inc.
Consolidated Balance Sheets
(In thousands, except share and per share data)

	Year Ended December 31, 2020	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 10,690	$ 16,677
Accounts receivable, net of allowance for credit losses of $262 and $563, respectively	1,642	2,321
Commission receivable	—	2,107
Prepaid expenses	782	1,357
Due from related parties	134	77
Other current assets	660	608
Mortgage loans held for sale	2,698	2,015
Total current assets	16,606	25,162
Property and equipment, net	1,965	2,645
Goodwill	5,161	8,633
Intangibles, net	306	5,634
Other non-current assets	847	6,335
Total assets	**$ 24,885**	**$ 48,409**
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 515	$ 2,084
Accrued expenses and other current liabilities	1,077	4,949
Commissions payable	521	2,149
Due to related parties	2,239	381
Secured credit facilities	3,569	1,820
Current portion of notes payable	497	1,290
Total current liabilities	8,418	12,673
Long-term notes payable	214	4,224
Long-term related party note payable	—	7,000
Long-term secured credit facilities	—	16,508
Other non-current liabilities	1,062	910
Total liabilities	**$ 9,694**	**$ 41,315**
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock, $0.01 par value, 100,000,000 shares authorized as of December 31, 2020 and December 31, 2021; 54,141,164 and 54,478,907 shares issued at December 31, 2020 and December 31, 2021, respectively	$ 541	$ 545
Additional paid-in-capital	12,261	20,012
Retained earnings (accumulated deficit)	2,389	(13,463)
Total stockholders' equity	**$ 15,191**	**$ 7,094**
Total liabilities and stockholders' equity	**$ 24,885**	**$ 48,409**

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

HomeSmart Holdings, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2020	2021
Operating activities		
Net income (loss)	$ 9,205	$ (4,343)
Adjustments to net income:		
Depreciation and amortization	911	2,644
Amortization of deferred financing costs	—	78
Share-based compensation	—	5,064
Equity in earnings of unconsolidated entities	—	(490)
Unrealized gains on loans held-for-sale	(70)	(54)
Change in allowance for doubtful accounts	(29)	301
Mortgage loans held for sale:		
Proceeds from sale of mortgage loans held for sale	22,311	31,140
Disbursements of mortgage loans held for sale	(24,938)	(30,402)
Changes in assets and liabilities:		
Accounts receivable	(333)	255
Commissions receivable	-	(2,107)
Prepaid expenses	445	(575)
Due from related parties	—	57
Other current assets	451	106
Other non-current assets	(116)	(3,392)
Accounts payable	(99)	1,243
Accrued expenses and other current liabilities	(959)	3,509
Due to related parties	1,077	(1,858)
Commissions payable	253	1,628
Other non-current liabilities	150	(369)
Net cash provided by operating activities	8,259	2,435
Investing activities		
Purchases of property and equipment	(740)	(1,521)
Payments for acquisitions, net of cash acquired and issuance of note	—	(6,423)
Proceeds from investments in unconsolidated entities	—	511
Proceeds from repayment of notes receivables	61	—
Net cash used in investing activities	(679)	(7,433)
Financing activities		
Repayments of notes payable	(1,085)	(1,497)
Net payments to related party on promissory notes issued as part of Reorganization (Note 2 and 7)	—	(1,000)
Repayments under secured credit facilities	(24,243)	(38,345)
Borrowings under secured credit facilities	24,583	53,210
Debt issuance costs	—	(184)
Due from related parties	1,503	—
Contributions from common stockholder	6,461	374
Distributions to common stockholder	(10,108)	(1,573)
Net cash (used in) provided by financing activities	(2,889)	10,985
Net increase in cash and cash equivalents	4,691	5,987
Cash and cash equivalents, beginning of period	5,999	10,690
Cash and cash equivalents, end of period	$ 10,690	$ 16,677
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 233	$ 531
Cash paid for taxes	—	442
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of related party promissory notes as part of Reorganization	$ —	$ 8,000
Issuance of unsecured note payable related to acquisition	$ —	$ 6,300

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

HomeSmart Holdings, Inc.
Consolidated Statements of Stockholders' Equity
(In thousands, except share data)

	Common Stock				Total
	Shares	Amount	Additional paid-in-capital	Retained earnings (accumulated deficit)	Stockholders' equity
Balances as of December 31, 2019	54,141,164	$ 541	$ 5,800	$ 3,292	$ 9,633
Net income	—	—		9,205	9,205
Contributions	—	—	6,461		6,461
Distributions	—	—		(10,108)	(10,108)
Balances as of December 31, 2020	54,141,164	$ 541	$ 12,261	$ 2,389	$ 15,191
Net loss	—	—	—	(4,343)	(4,343)
Reorganization (Note 2)	337,743	4	1,996	(9,936)	(7,936)
Stock based compensation expense	—	—	5,381	—	5,381
Contributions	—	—	374	—	374
Distributions	—	—	—	(1,573)	(1,573)
Balances as of December 31, 2021	54,478,907	$ 545	$ 20,012	$ (13,463)	$ 7,094

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

HomeSmart Holdings, Inc.
Notes to Consolidated Financial Statements

1. Description of Business

HomeSmart Holdings Inc. ("Holdings" or "the Company"), collectively with its subsidiaries, is a real estate enterprise powered by its proprietary end-to-end technology platform. The Company provides integrated real estate solutions to agents, Company-owned brokerages, franchisees and ultimately the buyers and sellers ("the consumer") with operations across the United States.

Holdings has organized its operations into three operating and reportable segments: Real estate brokerage, Franchise, and Affiliated business services. The Real estate brokerage operating segment is engaged by its customers to assist with the buying, selling, or leasing of property. In exchange for its services, the Company is compensated in the form of commission income earned upon closing of the sale of a property or execution of a lease. The Franchise operating segment franchises its real estate brand to real estate brokerage businesses that are independently owned and operated. Franchise revenue principally consists of royalty and marketing fees from the Company's franchisees. Royalties received by the Company are primarily derived from the number of agents affiliated with each franchisee and the number of closed transactions by each franchisee each month. The Affiliated business services operating segment provides mortgage, title and escrow services. The Company receives fees for the mortgage, title and escrow services it provides its customers, as well as proceeds from the sale of mortgage loans originated by the Company.

2. Summary of Critical Accounting Policies

Basis of Presentation and Principles of Consolidation

HomeSmart Holdings, Inc. was formed on October 22, 2020 with the objective of consolidating 100% of the Founder and Chief Executive Officer's (the "Founder") equity interests held in multiple individual legal entities, into one legal business entity ("the Reorganization"). Before and after the Reorganization the Founder had 100% ownership in HomeSmart Holdings, Inc. and the legal entities included in the Reorganization, with the exception of four immaterial joint venture legal entities in which the Founder had both a 51% ownership and voting interest.

The Reorganization, which occurred in the second quarter of 2021, ultimately consolidated each of the individual legal entities under common control which requires the legal entities to be combined at their historical cost. The Company's consolidated financial statements and related footnotes are presented as if the Reorganization occurred at the beginning of the earliest date presented and the prior periods have been retrospectively adjusted except for historical business combinations which are included in the consolidated financial statements from the date of the respective acquisition. Prior to the Reorganization, there were no subsidiaries consolidating into Holdings and the Company had no operations, assets or liabilities. In conjunction with the effective date of the Reorganization, the HomeSmart entities included in the 2019 and 2020 HomeSmart Holdings, Inc. combined audited financial statements are now consolidated subsidiaries.

In conjunction with the Reorganization, Holdings entered into three unsecured promissory notes with legal entities in which the Founder and Chief Executive Officer's (the "Founder") holds a 100% ownership interest. One of the promissory notes is a note receivable effectively from the Founder and two of the promissory notes are notes payable effectively to the Founder. The note receivable was issued in exchange for 337,743 shares of Holdings' common stock with an initial principal balance of $2.0 million, bears interest at 0.52% per annum and was repaid in full on April 15, 2021. The two promissory notes payable to the Founder are discussed in Note 7, Debt, of these notes to the consolidated financial statements. The promissory notes were treated as a dividend to the Founder and recorded as a net reduction to retained earnings. As part of the Reorganization, on April 1, 2021, the Company also issued 54,140,164 shares of its common stock to the Founder in exchange for the shares of the HomeSmart Subsidiaries. All share and per share amounts presented herein have been retroactively adjusted to reflect the impact of this issuance of the 54,140,164 shares.

The consolidated financial statements include the accounts of HomeSmart Holdings, Inc. and its Subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Company's consolidated financial statements include the assets, liabilities, revenues and expenses of all controlled subsidiaries. The consolidated statements of operations include the results of entities acquired from the date of the acquisition. The Company's fiscal year end is December 31.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and with Article 3 of Regulation S-X. We believe that the following critical accounting policies represent the areas where more significant judgments and estimates are used in the preparation of our consolidated financial statements.

Use of Estimates

In preparation of the consolidated financial statements, U.S. GAAP requires management to make judgements, estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. The Company regularly evaluates estimates and assumptions related to the fair value of acquired intangible assets and goodwill, provisions for doubtful accounts, legal contingencies, impairment of intangible assets and goodwill, and income taxes. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances. Actual results realized by the Company could differ materially and adversely from the Company's estimates.

Segment Reporting

The Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") *Segment Reporting (Topic 280)*, established standards for the manner in which enterprises report information about operating segments. The Company views its operations as three reportable segments. See Note 14, "Segment Reporting" for discussion.

Revenue Recognition

The Company generates its revenue from real estate brokerage services, franchise royalties and other affiliated business services.

The Company's revenue recognition policies are discussed further below by business segment:

Real Estate Brokerage

As an owner-operator of real estate brokerages, the Company assists home buyers and sellers in listing, marketing, selling and finding homes. Real estate commissions earned by the Company's real estate brokerage business are recorded as revenue at the closing of a real estate transaction (i.e., purchase or sale of a home, execution of a lease). These revenues are referred to as Real estate brokerage revenue. The commissions the Company pays to real estate agents are recognized concurrently with the associated brokerage revenues and included as a cost of sale within the Commission and other agent-related costs line item on the accompanying Consolidated Statements of Operations.

In such real estate transactions, the Company holds the real estate brokerage license that is necessary under relevant state laws and regulations to provide brokerage services and therefore controls those services that are being rendered for home buyers and sellers and lessees/lessors of real estate. Although the Company's agents are independent contractors, they cannot execute a real estate transaction without a brokerage license, which the Company possesses. The Company has the only contractual relationship for the sale or exchange of real estate with its customer (i.e., the home buyer or seller). Accordingly, the Company is the principal in its transactions with both home buyers and sellers; or lessees and lessors in the case of an execution of a lease.

As principal, the Company recognizes revenue in the gross amount of consideration it expects to receive in exchange for those services which is determined based on the sales price multiplied by the commission rate as agreed upon in the listing agreement with a seller or between co-brokered transactions with other third party brokers.

Franchise

The Company franchises its real estate brands to real estate brokerage businesses that are independently owned and operated. Franchise revenue principally consists of upfront, royalty, and marketing fees earned from the Company's franchisees.

The franchise arrangement requires the Company to perform various upfront activities to support the brand such as training, pre-opening assistance, and access to the Company's technology platform. These upfront services are highly interrelated with the franchise right as they do not provide a substantive service to the customer on their own. Together, the upfront services and franchise right represent a series of distinct daily services rendered over time. Consistent with the transfer of control for distinct, daily services to the customer, franchise fee revenue from the sale of individual franchises and fees for new branch locations are deferred and recognized over the term of the individual franchise agreement, 5 or 10 years, on a straight-line basis. The franchise deferred revenues are presented in Accrued expenses and other current liabilities and Non-current liabilities.

The royalty received is primarily based on the franchisee's agent count and the number of real estate transactions closed in a month. Royalty fees are accrued as the underlying franchisee revenue is earned (typically upon close of the real estate transaction).

The Company also earns monthly marketing fees from its franchisees. Such fees are utilized to fund ongoing marketing campaigns on behalf of its franchisees and are recognized as franchise revenue in the month earned. In addition, the Company recognizes a deferred asset for commissions paid for the sale of a new franchise as these are considered costs of obtaining a contract with a customer that are expected to provide benefits to the Company for longer than one year. The Company classifies capitalized commissions as current or non-current assets in the Consolidated Balance Sheets based on the expected timing of recognition of the expense. The amount of commissions is a flat rate for each location and is amortized over a period of five years. The amount of capitalized commissions for both years ended December 31, 2020 and 2021, was $0.6 million.

Affiliated Business Services

The Company provides mortgage, title, and escrow services to the consumer. Revenues for mortgage services are recorded as earned, generally at the time a real estate transaction is closed. The Company also began originating mortgage loans in April 2020, which it in turn intends to sell in a short period of time after issuance. Upon sale of a mortgage loan into the secondary mortgage market, any difference between the proceeds received and the current fair value of the loan is recognized in the Affiliated business services revenue line item on the Consolidated Statements of Operations. Mortgage loans held-for-sale are typically sold within 30 days after loan issuance. The Company also enters into interest rate lock commitments ("IRLCs") with customers at the beginning of the lending process. Any gain or loss on IRLCs is recognized in current period earnings.

Title and escrow revenues within the Company's affiliated business services are recorded as earned, generally at the time a real estate transaction is closed. For title services, the Company acts as an agent for insurance policy underwriters by performing title related services on their behalf. The insurance policy underwriter is the primary obligor for the policy. Accordingly, the Company recognizes revenue solely based on the net amount the Company earns for its performance of the title related services, as opposed to the gross amount of the title insurance transaction. For escrow services, the Company's primary responsibilities are to administer funds and enforce the terms of the escrow agreement. In this capacity, the Company is an agent in its promise to perform the services for the real estate broker, who is the principal and primary obligor. Accordingly, the Company recognizes escrow services revenue upon performance of the services, in the amount contractually agreed upon with the broker.

Commission and Other Related Costs

The Company pays commissions to its agents for which the associated costs are recognized concurrently with the associated revenue and are recorded within the Commission and other agent-related costs line item on the Consolidated Statements of Operations. Additionally, the Company pays fees to external brokerages for client referrals, which are recognized and paid upon the closing of a real estate transaction, and the Company charges its agents various fees for the services it provides. These fees are either transaction based, where amounts are collected at the closing of a brokerage transaction, or in the form of periodic fixed fees over a defined period of time. Fees charged to affiliated agents are recognized as a reduction to Commission and other agent-related costs as the reimbursements do not constitute a form of revenue nor do they constitute a reimbursement for a specific, incremental, identifiable cost for the Company.

The Company also incurs costs related to the sale of new franchises which are included in the Commission and other agent-related costs on the Consolidated Statements of Operations.

The mortgage, title and escrow Affiliated business services operating segment incurs personnel-related costs, including salaries, benefits and bonuses, incurred in connection with either funding new loans or closing transactions within title and escrow. Other direct costs include title policies issued as well as other notary and recording fees. The net amount of these costs are also included in Commission and other agent-related costs on the Consolidated Statements of Operations.

C***ontract Costs***

The Company capitalizes commissions paid for its franchise arrangements, as an incremental cost to acquire the contract. Capitalized commissions are amortized over the period of expected benefit, which management estimates to be five years. The Company classifies capitalized commissions as Other current or non-current assets in the Consolidated Balance Sheets, based on the expected timing of expense recognition. The amount of commissions is a flat rate for each location. The amount of capitalized commissions for both years ended December 31, 2020 and 2021, was $0.6 million.

Contract Liabilities

The following table shows the change in the Company's contract liabilities related to revenue contracts by reportable segment for the periods (in thousands):

	Year Ended December 31, 2020			
	Beginning Balance at January 1, 2020	Additions During the Period	Recognized as Revenue During the Period	Ending Balance at December 31, 2020
Franchise	$ 1,049	$ 340	$ (461)	$ 928
Balance as of December 31, 2020	$ 1,049	$ 340	$ (461)	$ 928

	Year Ended December 31, 2021			
	Beginning Balance at January 1, 2021	Additions During the Period	Recognized as Revenue During the Period	Ending Balance at December 31, 2021
Franchise	$ 928	$ 449	$ (315)	$ 1,062
Balance as of December 31, 2021	$ 928	$ 449	$ (315)	$ 1,062

At December 31, 2020 and 2021, the non-current portion of contract liabilities was $0.7 million and $0.8 million, respectively, and is presented in other non-current liabilities on the accompanying Consolidated Balance Sheets.

Remaining Performance Obligations

Remaining performance obligations represent the aggregate transaction prices for contracts where performance obligations have not yet been satisfied. The majority of the Company's contracts are transactional in nature or have a duration of one-year or less. The Company applies the practical expedient related to remaining performance obligations that are part of a contract that has an original expected duration of one year or less and the practical expedient related to variable consideration from remaining performance obligations pursuant to the series guidance in the relevant accounting literature. All remaining performance obligations apply to one of these practical expedients; therefore, the Company does not disclose the value of unsatisfied performance obligations for contracts.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities when purchased of three months or less to be cash equivalents.

Stock-based Compensation

The Company measures compensation expense for all stock-based awards based on the estimated fair value of the awards on the date of grant. Compensation expense is generally recognized as expense on a straight-line basis over the service period based on the vesting requirements. The Company recognizes forfeitures as they occur.

The fair values of the stock appreciation rights (“SARs”) are estimated on the date of grant using the Black-Scholes option valuation model. As there is no public market for its common stock, the Company determines the volatility for awards granted based on an analysis of reported equity data for a group of guideline companies. The expected volatility has been determined using the leverage adjusted weighted-average of the historical equity volatility of this group of guideline companies. The Company expects to continue to do so until such time as it has adequate historical data regarding the volatility of its traded stock price. The expected term of the Company's SARs has been determined utilizing the SEC “simplified” method for awards that qualify as “plain-vanilla”. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. The Company has not paid, and does not anticipate paying, cash dividends on its common stock; therefore, the expected dividend yield is assumed to be zero. The fair values of the Company's restricted stock units ("RSUs") are estimated based on the fair value of its common stock on the date of grant.

SARs and RSUs awards are both subject to service-based vesting conditions. A limited number of RSUs also have a performance vesting condition. See Note 11 "Stock-based Compensation," for discussion.

Deferred Offering Costs

The Company capitalizes within other long-term assets certain legal, accounting and other third-party fees that are directly related to the Company’s in-process planned initial public offering. After consummation of the planned initial public offering these costs are recorded as a reduction of the proceeds received as a result of the offering. Should the public offering plan be abandoned, terminated or significantly delayed, the deferred offering costs are immediately written off to operating expenses. As of December 31, 2021, deferred offering costs of $2.7 million were recorded within other long-term assets on the balance sheet.

Income Taxes

Prior to the Reorganization, the HomeSmart Subsidiaries were primarily taxed as pass-through entities for federal and state income tax purposes. Accordingly, for federal and state income tax purposes, most income, loss, and other tax attributes pass through to the members’ income tax returns.

Beginning on April 1, 2021, immediately after the Reorganization, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to

differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more-likely than-not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company's policy is to classify interest and penalties on uncertain tax positions as a component of income tax expense.

The Company recognizes the US tax effects of global intangible low-taxed income ("GILTI") as a component of income tax expense in the period the tax arises (the "period cost method")

Equity method investment

Investments in entities for which the Company has the ability to exercise significant influence over, but does not have financial or operating control, are accounted for using the equity method of accounting. Accordingly, the Company's share of the net income (loss) of equity method investment are included in the Company's net income, and the proceeds received are reflected on the Consolidated Statements of Cash Flows within net cash provided by investing activities.

In connection with the PalmerHouse acquisition, the Company acquired 45% interest in Independence Title & Escrow, LLC. The investment balance as of December 31, 2021 was $1.8 million and is presented in other non-current assets on the Consolidated Balance Sheets.

Fair value measurements

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company categorizes each of its fair value measurements in one of the following three levels based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy prioritizes the quality and reliability of the information used to determine fair values. The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each period. There were no transfers between levels during the periods presented.

Input Level	Definitions
Level 1	Inputs are quoted market prices in active markets for identical assets or liabilities (these are observable market inputs).
Level 2	Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability (includes quoted market prices for similar assets or identical or similar assets in markets in which there are few transactions, prices that are not current or prices that vary substantially).
Level 3	Inputs are unobservable inputs that reflect the entity's own assumptions in pricing the asset or liability (used when little or no market data is available).

The fair value of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, approximate their carrying value due to their short-term maturities. The carrying amount of the Company's secured credit facilities approximate their fair value as the stated interest rate approximates market rates currently available to the Company. Mortgages held-for-sale are recognized at their fair value based on an agreed upon future sale price with a financial institution that intends to purchase the mortgage. While not material to the Company's consolidated financial statements, interest rate locks are also carried at their fair value in other non-current assets. Notes payable

are presented at their carrying value; see Note 13, “Fair Value Measurements,” for further discussion of the Company’s fair value measurements.

Credit Risk

The Company is subject to credit risk associated with accounts receivable and mortgage loans that it originates during the period of time prior to the sale of these loans. The Company considers credit risk associated with mortgage loans to be insignificant as it holds the loans for a short period of time, and the secondary market for these loans continues to be highly liquid.

Mortgage Loans Held for Sale

The Company has elected the fair value option for accounting for mortgage loans held-for-sale with unrealized gains and losses included in Affiliated business services revenue in the Consolidated Statements of Operations. Mortgage loans held-for-sale are loans originated as held-for-sale, that are expected to be sold into the secondary mortgage market. For the years ended December 31, 2020 and 2021, a gain of $0.1 million and a loss of $0.1 million, respectively, were included in the Affiliated business services revenue line item on the Consolidated Statements of Operations and in the Mortgage loans held for sale line item on the Consolidated Balance Sheets, to reflect the change in the fair value Mortgage loans held for sale.

Allowance for Credit Losses

Accounts receivable primarily consist of amounts owed from escrow companies upon the close of real estate transactions, amounts owed from franchisees, and amounts owed from our agents. The Company uses the aging schedule method to estimate current expected credit losses ("CECL") based on the age and nature of the past due accounts. Significant judgment is used in estimating the timing, frequency and severity of losses. The Company adjusts the allowance periodically based on historical experience, combined with a review of current developments and forecasts of future collectability. The allowance calculation also includes specific accounts for which collectability is considered to be remote (i.e., bankruptcy, lack of contact, age of account balance, etc.).

Property and Equipment, net

Property and equipment (including leasehold improvements) are recorded at historical cost, net of accumulated depreciation and amortization. Depreciation, recorded as a component of depreciation and amortization on the Consolidated Statements of Operations, is computed utilizing the straight-line method over the estimated useful lives of the related assets and assuming no salvage value, as follows:

Type	Estimated Useful Life
Furniture	10 years
Office and computer equipment	3 - 7 years
Vehicles	5 years
Leasehold improvements (a)	3 - 7 years
Internally developed software	5 years

(a) Leasehold improvements are depreciated over the lesser of the lease term or the useful life of the improvement.

Costs incurred in the preliminary stages of software development are expensed as incurred. Once an application has reached the development stage, direct internal and external costs relating to upgrades or enhancements that meet the capitalization criteria are capitalized and amortized on a straight-line basis over their estimated useful lives. Maintenance and enhancement costs (including those costs in the post-implementation stages) are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the software that result in added functionality, in which case the costs are capitalized as well.

Internally developed software costs are amortized over the expected useful lives of the releases, which have been estimated to have a useful life of five years. Estimated useful lives of capitalized internal-use software are reviewed annually or whenever events or changes in circumstances indicate a release may be impaired.

Business Combinations

Business combinations are accounted for under the acquisition method of accounting. This method requires, among other things, allocation of the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed at their estimated fair values on the acquisition date. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair value of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, not to exceed one year from the date of acquisition, the Company may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to goodwill if new information is obtained related to facts and circumstances that existed as of the acquisition date. After the measurement period, any subsequent adjustments are reflected in the Consolidated Statements of Operations.

Goodwill, Intangible Assets and Other Long-Lived Assets

Goodwill represents the excess of acquisition costs over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Goodwill is not amortized but is subject to impairment testing. The aggregate carrying amount of the Company's goodwill for the years ended December 31, 2020 and 2021, was $5.2 million and $8.6 million, respectively, and is subject to an impairment assessment annually as of October 1, or whenever events or changes in circumstances occur that indicate fair value may be below the carrying amount. As part of the annual goodwill impairment test, the Company first performs a qualitative assessment to determine whether further impairment testing is necessary. If, as a result of the qualitative assessment, it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the quantitative impairment test will be required. If the Company has determined it necessary to perform a quantitative impairment assessment, the Company will compare the fair value of the reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, limited to the total amount of goodwill of the reporting unit. The results of the Company's annual goodwill impairment assessments did not indicate the carrying amounts of Goodwill at December 31, 2021 exceeded the fair values of the respective reporting units. Subsequent to annual assessment procedures completed during the fourth quarter of 2021, there were no events or changes in circumstances that would indicate goodwill may be impaired at December 31, 2021.

The Company's finite-lived intangible assets are carried at cost, net of accumulated amortization. Intangible assets are amortized on a straight-line basis over their estimated useful lives. The Company estimates the useful life by estimating the expected period of economic benefit. Intangible assets consist of agent relationships, pendings (i.e., real estate transactions in-process) and listings, and trade names acquired through historical acquisitions. The estimated useful lives of the Company's intangible assets range from one to five years. There were no events or changes in circumstances that indicated intangible assets were impaired at December 31, 2021.

The Company evaluates other non-current assets, which include depreciable intangible and tangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of other non-current assets exceeds its fair value. This includes but is not limited to significant adverse changes in business climate, market conditions or other events that indicate an asset groups' carrying amount may not be recoverable. Recoverability of asset groups to be held and used is measured first by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset group. If such asset groups' were considered to be impaired, an impairment loss in the amount of the excess of the carrying amount over the fair value of the asset group, would be recognized. There were no events or changes in circumstances that indicated the other non-current assets were impaired at December 31, 2021.

Sales, Marketing and Advertising

Sales, marketing, and advertising expenses consist primarily of public relations, communications and events expenses, personnel-related costs, including salaries, benefits and bonuses, for employees supporting franchise sales, marketing, agent recruiting and retention costs, acquisition and new office expansions, ancillary services, and costs related to national referral, relocation, lead generation and call center activities. Sales, marketing, and advertising expenses also include advertising expenses such as print advertising, content marketing, online and social media advertising, event marketing and promotional items, which are expensed as incurred.

General and Administrative

General and administrative expenses consist primarily of personnel-related costs, including salaries, benefits, and bonuses for executive management and administrative employees, including, finance and accounting, legal, human resources and communications, brokerage operations, the occupancy costs for the corporate headquarters, and other office-related expenses for supporting our agents, administrative functions, professional service fees for legal and finance, insurance expenses and talent acquisition expenses. General and administrative costs are expensed as incurred.

Recently Adopted Accounting Standards

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which removes certain disclosure requirements related to the fair value hierarchy, such as removing the requirement to disclose the amount of and reasons for transfers between Level 1 and Level 2, modifies existing disclosure requirements related to measurement uncertainty and adds new disclosure requirements, such as disclosing the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurement. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. On January 1, 2020 the Company adopted ASU 2018-13. The adoption did not have a material impact on the Company's consolidated financial statements and related disclosures.

Recently Issued Accounting Standards

As an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), the Company is provided the option to adopt new or revised accounting guidance either (1) within the same periods as those otherwise applicable to public business entities, or (2) within the same time periods as non-public business entities, including early adoption when permissible. The Company has elected to adopt new or revised accounting guidance within the same time periods as non-public business entities, including early adoption at the Company's option, when permissible. The following provides a brief description of recent accounting pronouncements that could have a material effect on the Company's financial statements:

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which requires lessees to recognize the assets and liabilities that arise from all leases with terms longer than 12 months on the balance sheet. Leases will be classified as either financing or operating, which will determine the expense recognition on the Consolidated Statements of Operations. ASU 2016-02 is effective for fiscal periods beginning after December 15, 2021, for non-public companies. The Company elected the extended transition period available to emerging growth companies and adopted the new standard on January 1, 2022. The standard requires a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, or the beginning of adoption.

The Company will elect the 'package of practical expedients', which allows it to not reassess under the new standard its prior conclusions about lease identification, lease classification, and initial direct costs. The Company will also elect the practical expedient to not separate lease and non-lease components.

The Company anticipates the lessee accounting for operating leases will have a material effect on the Consolidated Balance Sheets in the form of the recognition of a right-of-use assets and corresponding lease liabilities, not required under prior guidance. The Company currently expects to recognize right-of-use assets and corresponding lease liabilities ranging from $13.5 million to $15.5 million upon adoption. The Company does not anticipate adoption of the standard will have a material effect on the Consolidated Statements of Operations.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The ASU is part of the FASB's simplification initiative; and it is expected to reduce cost and complexity related to accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740, Income Taxes related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The new standard became effective for non-public companies with fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company is currently evaluating the effect that this ASU will have on its consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. An update was also issued expanding the scope of this guidance. The guidance provides optional expedients and exceptions for applying GAAP to contracts or other transactions affected by reference rate reform if certain criteria are met. The guidance was issued on March 12, 2020 and may be applied prospectively through December 31, 2022. The Company is evaluating applicable contracts and transactions to determine whether to elect the optional guidance. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements and related disclosures.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contact Liabilities from Contracts with Customers.* The guidance amends ASC 805 to require an acquiring entity to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, *Revenue from Contracts with Customers*. The new standard becomes effective for non-public companies with fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The amendments in this Update should be applied prospectively to business combinations occurring on or after the effective date. The Company does not anticipate adoption of the standard will have a material effect on its consolidated financial statements and related disclosures.

3. Business Combinations

Assets acquired and liabilities assumed in business combinations are recognized at their acquisition date fair values. Determination of the fair values of assets and liabilities acquired requires estimates and the use of valuation techniques when market values are not readily available. The results of operations of businesses acquired by the Company have been included in the consolidated statements of operations since their respective dates of acquisition. Goodwill generated from all business combinations completed was primarily attributable to expected synergies from future growth and potential monetization opportunities.

On January 1, 2021, the Company completed the acquisition of 100% of the equity interests in PalmerHouse Properties, LLC, PalmerHouse Properties and Associates, LLC, and PalmerHouse Properties Lake Country, LLC, ("PalmerHouse"). The total purchase price for the acquisition was $14.8 million, comprising $6.3 million in cash, $6.3 million unsecured note payable and $2.2 million in adjustments to purchase price based on a customary working capital mechanism minus any outstanding debt and transaction expenses. The unsecured note payable is subject, in part, to certain requirements being met by the acquired brokerage group. As of March 31, 2021, all requirements had been satisfied, thus the $6.3 million note balance is payable in full and included as part of the purchase price. The unsecured note payable bears interest at a non-compounded rate equal to LIBOR plus 3.0% per annum, calculated on the anniversary date, and is payable in 60 monthly installments due on or before the tenth day of each month. The acquisition is part of the Company's strategic expansion plan.

The PalmerHouse acquisition was accounted for using the acquisition method of accounting under which the Company allocated the total purchase price to the tangible and identifiable intangible assets acquired based on their estimated fair values as of the acquisition date, as determined by management and the use of third party valuation experts. The excess of the purchase price over the aggregate fair values of the identifiable assets was recorded as goodwill.

The following table shows the allocation of the purchase price of PalmerHouse to the acquired identifiable assets, and goodwill (in thousands):

Cash	$	1,890
Accounts receivable [(a)]		1,416
Other current assets		54
Property and equipment		32
Other non-current assets		1,838
Intangible assets		7,100
Accounts payable		(326)
Other current liabilities		(680)
Fair value of net assets acquired (excluding goodwill)	**$**	**11,324**
Goodwill [(a)]		3,472
Total purchase consideration	**$**	**14,796**

[(a)] Subsequent to September 30, 2021, the Company recorded a measurement period adjustment based on information obtained during the fourth quarter of 2021. The measurement period adjustment was a $0.7 million increase in Accounts receivable acquired and corresponding decrease in Goodwill of the same amount.

The values allocated to identifiable intangible assets (in thousands) and their estimated useful lives are as follows:

	Preliminary Fair Value		Estimated Useful Life
Fair value of intangible assets acquired			
Agent relationships	$	4,800	5 years
Trade name		2,100	5 years
Pendings and listings		200	1 year
Intangible assets acquired	$	7,100	

Goodwill represents the excess of the purchase price over the estimated fair value assigned to tangible and identifiable intangible assets acquired and liabilities assumed and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and expected future market opportunities.

Pro Forma Financial Information—The following unaudited pro forma financial information summarizes the results of operations for the Company as though the Acquisition had occurred on January 1, 2020 (in thousands):

	Year Ended December 31, 2020	
Revenue	$	475,027
Net Income		7,556

In addition, the unaudited pro forma financial information does not assume any impacts from revenue, cost or other operating synergies that could be generated as a result of the acquisition. The unaudited pro forma financial information is for informational purposes only and is not indicative of the results of operations that would have been achieved had the acquisition been consummated on January 1, 2020.

4. Goodwill and Intangible Assets

Goodwill is attributable to the Real Estate Brokerage reporting unit, as follows (in thousands):

	Amount
Balance at December 31, 2019	$ 5,161
Goodwill acquired	—
Balance at December 31, 2020	5,161
Goodwill acquired [(a)]	3,472
Balance at December 31, 2021	$ 8,633

[(a)] Goodwill acquired during the period ended December 31, 2021 relates to the acquisition of PalmerHouse.

Intangible assets, net, are as follows (in thousands):

	December 31, 2020			
	Estimated Useful Life	Gross Carrying Value	Accumulated Amortization	Net
Finite-lived intangible assets:				
Agent relationships	5 years	$ 960	$ (654)	$ 306
Total		$ 960	$ (654)	$ 306

	December 31, 2021			
	Estimated Useful Life	Gross Carrying Value	Accumulated Amortization	Net
Finite-lived intangible assets:				
Agent relationships	5 years	$ 5,760	$ (1,806)	$ 3,954
Trade name	5 years	2,100	(420)	1,680
Pendings and listings	1 year	200	(200)	—
Total		$ 8,060	$ (2,426)	$ 5,634

Amortization expense for intangible assets for the years ended December 31, 2020 and 2021, was $0.2 million and $1.8 million, respectively, and is included in Depreciation and amortization expense on the Consolidated Statements of Operations.

The estimated aggregate amortization expense for each of the five succeeding fiscal years is shown in the table below at (in thousands):

	Amortization Expense
2022	$ 1,457
2023	1,400
2024	1,397
2025	1,380
2026	—
Thereafter	—
Total	$ 5,634

5. Property and Equipment, net

As of the year ended December 31, 2020 and 2021, Property and equipment, net consisted of (in thousands):

	Year Ended December 31,	
	2020	2021
Internally developed software	$ 2,642	$ 3,845
Furniture	445	495
Office and computer equipment	667	911
Vehicles	69	94
Leasehold improvements	90	115
Total Property and equipment	3,913	5,460
Less: Accumulated depreciation and amortization	(1,948)	(2,815)
Property and equipment, net	$ 1,965	$ 2,645

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2020 and 2021, was of $0.7 million and $0.8 million, respectively, and is included in the Depreciation and amortization expense on the Consolidated Statements of Operations.

6. Accrued Expenses and Other Current Liabilities

Accrued expenses as of December 31, 2020 and 2021 consist of the following:

	December 31, 2020	December 31, 2021
Accrued expenses	$ 603	$ 3,592
Deferred revenue	276	681
Other	198	676
Total Accrued expenses and other current liabilities	$ 1,077	$ 4,949

7. Debt

Secured Credit Facilities

Operating Secured Credit Facilities

In February 2017 the Company entered into a secured credit facility agreement with a bank (“the Lender”) for which draws may be used for acquisitions and general corporate purposes (the “Operating Secured Credit Facility Agreement”). The Operating Secured Credit Facility is secured by all of the personal property and assets of HomeSmart LLC and HomeSmart International, LLC, in addition to being personally guaranteed by the Founder’s family trust. At December 31, 2020, the Operating Secured Credit Facility Agreement provided borrowing capacity of $10.0 million, maturing on September 10, 2021. In September 2021, the Company extended the maturity date one month to October 10, 2021. Borrowings bear interest at a rate equal to the London interbank offered rate (“LIBOR”), plus an applicable margin. The effective interest rate of the Operating Secured Credit Facility was 3.85% at December 31, 2020. At December 31, 2020, the Company had $1.1 million of borrowings outstanding and $8.9 million of additional borrowing capacity available under its Operating Secured Credit Facility Agreement.

In September 2021, the Company (“the Borrower”) entered into a new secured credit facility agreement (the “new Facility”) with a different lender, to replace the preexisting Operating Secured Credit Facility. The new Facility may be used to fund acquisitions and general corporate expenditures, with a maximum borrowing capacity of $24.5 million originally maturing September 27, 2022.

In April 2022, the Company amended its new secured credit facility agreement to extend the maturity date of the new Facility to September 27, 2023; maximum borrowing capacity under the amended agreement remains $24.5 million. Also incorporated in the amendment, was the transition to the Standard Overnight Financing Rate ("SOFR") from the

London Interbank Offered Rate ("LIBOR") as the benchmark for determining interest rates on borrowings drawn on the new Facility. No other substantive terms of the original agreement were changed as a result of the amendment.

The new Facility is secured by the equity and assets of HomeSmart Holdings, Inc. and its subsidiaries. The Borrower has the right to prepay any borrowing in whole or in part at any time. Borrowings under the new Facility bear interest, at the Company's option, either at a rate equal to (A) SOFR plus an applicable margin or (B) an alternative base rate as defined in the credit agreement. At December 31, 2021 the effective interest rate was 2.63%. The credit agreement contains customary affirmative covenants, such as financial statement reporting requirements and restrictions on the use of proceeds, as well as customary negative and financial covenants. As of December 31, 2021, the Company was in compliance with the covenants under the new Facility.

At December 31, 2021, $16.5 million was outstanding under the new Facility. The outstanding borrowings consist of the $6.5 million transferred from the preexisting Operating Secured Credit Facility and $10.0 million withdrawn primarily to finance the acquisition of a residential real estate brokerage group in 2022. These amounts bear interest at 2.44% and 2.63%, respectively, based on the interest rates in effect at the time of borrowing. Interest rates are refreshed semi-annually from each of the respective borrowing dates.

In September 2021, concurrently with entering into the new Facility, the Company repaid in full its outstanding balance under its Operating Secured Credit Facility Agreement. Upon the payment of approximately $6.5 million, all commitments under the agreement were terminated, and the lender discharged and released all guarantees and liens existing in connection with such loan, thereby terminating such loan agreement schedule.

Mortgage Secured Credit Facility

In December 2019 the Company entered into a secured credit facility agreement (the "Mortgage Secured Credit Facility") with a bank which is used exclusively to fund originated mortgages which are subsequently resold to designated investors. The Mortgage Secured Credit Facility is secured by the properties by which proceeds from the originated mortgages were used to purchase. At December 31, 2021 the Mortgage Secured Credit Facility Agreement provides a maximum borrowing capacity of $5.0 million. Borrowings for an originated mortgage bear interest at a rate equal to SOFR plus an applicable escalating margin ranging from 0% to 10.0%, or 11.5%, whichever is greater, depending on the length outstanding of the respective borrowing. All interest rates for mortgage borrowings are subjected to a minimum rate of 4.5%. The terms of the Mortgage Secured Credit Facility require the borrowings associated with each mortgage to be repaid upon the sale of the mortgage to a third party. The Company may repay the respective borrowings in whole or in part at any time.

In March 2022, the Company amended its Mortgage Secured Credit Facility agreement, to transition to SOFR from LIBOR as the benchmark for determining interest rates on borrowings; maximum borrowing capacity under the amended agreement remains $5.0 million. No other substantive terms of the original agreement were changed as a result of the amendment.

As of December 31, 2021, the Company was in compliance with the covenants under the credit facility, with the exception of one for which compliance was waived by the lender, for the respective non-compliant covenant, through March 31, 2023.

The interest rate in effect at both December 31, 2020 and 2021, was 4.5%. At December 31, 2020 and 2021, the Company had approximately $2.5 million and $1.9 million, respectively, of borrowings outstanding and $2.5 million and $3.1 million, respectively, of additional borrowing capacity under its Mortgage Secured Credit Facility agreement.

Notes Payable

On May 1, 2017, the Company issued a $2.3 million promissory note with a non-compounded interest rate of 5.0% per annum in connection with a business combination, maturing in May 2022. As of December 31, 2020 and 2021, the outstanding balance was $0.7 and $0.2 million, respectively.

On March 18, 2008, the Company issued a $1.3 million promissory note with an interest rate of 5.0% per annum, compounded monthly, in connection with a business combination, maturing in May 2023.The outstanding principal balance was repaid in full in September of 2020.

On March 18, 2008, September 1, 2015 and November 1, 2019, the Company issued three other promissory notes ("the three notes") that were originated in connection with three separate business combinations, maturing May 1, 2023, August 1, 2020 and August 1, 2020, respectively. The aggregate original balance of the three notes was $0.8 million bearing interest between 4.0% and 5.0%, per annum. The outstanding principal balances related to the three notes were repaid in full during the year ended December 31, 2020.

On January 1, 2021, the Company issued a five year $6.3 million note with a non-compounded interest rate of LIBOR plus 3.0% per annum in connection with the PalmerHouse acquisition, maturing in April 2026. As of December 31, 2021, the outstanding balance was $5.3 million.

On March 31, 2021, in conjunction with the Reorganization, the Company entered into two unsecured promissory notes payable with legal entities the Founder holds a 100% ownership interest in. The two notes payable, effectively due to the Founder, were issued with initial principal balances of $7.0 million and $3.0 million. Both bear interest at a rate of 3.0% per annum and mature in March 2029. The two outstanding promissory notes may be prepaid by Holdings in whole or in part at any time, without premium or penalty. As of December 31, 2021, $4.0 million and $3.0 million was outstanding on the notes payable with initial principal balances of $7.0 million and $3.0 million, respectively. The promissory notes were treated as a dividend to the Founder and recorded as a reduction to retained earnings.

Future Debt Obligations

The combined aggregate maturities for debt as of December 31, 2021 is as follows (in thousands):

	Amount
2022	$ 3,216
2023	17,763
2024	1,294
2025	1,334
2026	340
Thereafter	7,000
Total	$ 30,947

8. Income Taxes

The Company's provision for income taxes for the year ended December 31, 2021 is based on its financial results through the end of the period. The Company determined that the annual effective tax rate method was the most appropriate.

The U.S. and non-U.S. components of income before income taxes for the years ended December 31, 2020 and 2021 are as follows (in thousands):

	Year Ended December 31,	
	2020	2021
United States	$ 5,734	$ (6,354)
Foreign	3,626	1,259
Income (loss) before income taxes	$ 9,360	$ (5,095)

The components of income tax expense (benefit) for the years ended December 31, 2020 and 2021 are as follows (in thousands):

	Year Ended December 31, 2020	2021
Current		
Federal	$ -	$ 188
State	20	45
Foreign	135	118
Total Current	$ 155	$ 351
Deferred:		
Federal	$ -	$ (901)
State	-	(202)
Foreign	-	-
Total Deferred	-	(1,103)
Income tax expense (benefit)	$ 155	$ (752)

Prior to the Reorganization in the second quarter of 2021, the HomeSmart Subsidiaries were primarily taxed as pass-through entities for federal and state income tax purposes. Accordingly, for federal and state income tax purposes, most income, loss, and other tax attributes pass through to the member's income tax returns. HomeSmart Holdings Inc. is not considered a pass-through entity for federal and state income tax purposes.

On April 1, 2021, the Company completed its Reorganization and HomeSmart Subsidiaries are no longer considered pass-through entities for federal and state income tax purposes. As such, the Company established a net deferred income tax liability of $0.2 million to account for the effects of differences in the tax basis and financial statement carrying amounts of assets and liabilities. The establishment of the net deferred tax liability is caused by transactions with a shareholder; and as such, it was recorded through retained earnings.

The Company's effective tax rate for 2020 and 2021 is 1.6% and 14.8%, respectively. The Company's income tax results differed from the amount computed by applying the relevant U.S. statutory federal income tax rate to income before income taxes due to a rate benefit attributable to the Company primarily operating as a pass-through entity which is not subject to U.S. federal or state income tax. The majority of income expense is attributable to one corporation within the group operating in Puerto Rico which benefits from a reduced income tax rate. A reconciliation of the federal statutory tax rate to the effective tax rate for the years ended December 31, 2020 and 2021 are as follows (in thousands):

	December 31, 2020		December 31, 2021	
	Tax	Percent	Tax	Percent
Tax at statutory federal rate	$ 1,966	21.0%	$ (1,068)	21.0%
State tax	20	0.2%	(157)	3.2%
Non-deductible transaction costs	-	-	278	(5.5)%
GLITI	-	-	140	(2.8)%
Non-taxable income	-	-	84	(1.7)%
Other	-	-	64	(1.3)%
Foreign rate differential	(627)	(6.7)%	(220)	4.4%
Income taxed at member level	(1,204)	(12.9)%	-	-
Investment in foreign entities	-	-	127	(2.5)%
Total	$ 155	1.6%	$ (752)	14.8%

The Company's income tax provision (benefit) for the years ended December 31, 2020 and 2021, was approximately $0.2 million with an effective income tax rate of 1.6% and approximately ($0.8) million with an effective tax rate of 14.8%, respectively. The change in the effective tax rate is primarily driven by change in entity structure as a result of the Reorganization and foreign rate differential.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities calculated under U.S. GAAP and the amounts calculated for preparing our income tax returns. As of December 31, 2021, there was a $1.2 million net deferred tax asset in other non-current assets on the accompanying Consolidated Balance Sheets.

No valuation allowance was recorded as of December 31, 2020 and 2021.

As a result of the pass-through structure, the members are responsible for any tax matters arising from an examination prior to the April 1, 2021 Reorganization. HomeSmart Subsidiaries and HomeSmart Holdings Inc. are responsible for any tax matters arising from an examination. Years in which an audit remains open for the corporate entity within the organization is 2018, 2019, and 2020. The Company is subject to audit by federal, state, local, and foreign tax authorities and the Company is not currently under examination.

9. Commitments and Contingencies

The Company is committed to making rental payments under noncancelable operating leases covering various office space and equipment. Future minimum payments for these operating leases are as follows (in thousands):

	Amount
2022	$ 3,367
2023	2,827
2024	2,299
2025	1,991
2026	1,289
Thereafter	5,675
Total	$ 17,448

The Company incurred rent expense for the years ended December 31, 2020 and 2021 of $2.4 million and $3.5 million, respectively, included in general and administrative expense on the accompanying Consolidated Statements of Operations.

Litigation

From time to time, the Company may be involved in disputes or regulatory inquiries that arise in the ordinary course of business. When the Company determines an adverse outcome that could result in a loss to the Company, is both probable and reasonably estimable, a liability is recorded and disclosed. If an adverse outcome is probable, but not reasonably estimable, the Company discloses the nature of the claim and the fact that the amount of a contingent loss is not reasonably estimable. When a loss contingency is only reasonably possible, the Company does not record a liability, but instead discloses the nature and the amount of the claim and an estimate of the loss or range of loss, if such contingent loss is reasonably estimable. Legal costs related to the defense of loss contingencies are expensed as incurred.

Tax Matters

The Company may be subject to sales and use tax in various jurisdictions within the United States. The Company is subject to regulatory audits by tax authorities whereby the outcome of the audits is uncertain. The Company believes there is appropriate support for its sales and use tax filings.

Escrow and Trust Deposits

As a service to its customers, the Company administers escrow and trust deposits which represent undisbursed amounts for the settlement of real estate transactions. Deposits at FDIC-insured institutions are insured up to $250 thousand. As of December 31, 2020 and 2021, these deposits totaled $8.2 million and $13.2 million, respectively. These escrow and trust deposits are not assets of the Company and, therefore, are excluded from the accompanying

Consolidated Balance Sheets. However, the Company remains contingently liable for the disposition of these deposits.

Standard Guarantees/Indemnifications

In the ordinary course of business, the Company enters into numerous agreements that contain standard guarantees and indemnities whereby the Company indemnifies another party for breaches of representations and warranties. In addition, many of these parties are also indemnified against any third-party claim resulting from the transaction that is contemplated in the underlying agreement. Such guarantees or indemnifications are granted under various agreements, including those governing: (i) purchases, sales or outsourcing of assets or businesses, (ii) leases and sales of real estate, (iii) licensing of trademarks, (iv) use of derivatives, and (v) issuances of debt securities. The guarantees or indemnifications issued are for the benefit of the: (i) buyers in sale agreements and sellers in purchase agreements, (ii) landlords in lease contracts, (iii) franchisees in licensing agreements, (iv) financial institutions in derivative contracts, and (v) underwriters in issuances of securities. While some of these guarantees extend only for the duration of the underlying agreement, many survive the expiration of the term of the agreement or extend into perpetuity (unless subject to a legal statute of limitations). There are no specific limitations on the maximum potential amount of future payments that the Company could be required to make under these guarantees, nor is the Company able to develop an estimate of the maximum potential amount of future payments to be made under these guarantees as the triggering events are not subject to predictability.

10. Equity

The Company has one class of shares designated as Common Stock. Each share of Common Stock has a par value of $0.01. On October 22, 2020, the Founder formed Holdings, a wholly owned Delaware corporation. In connection with the Reorganization the Company issued 54,477,907 shares of Common Stock with par value of $0.01 to the Company's Founder.

As of December 31, 2020 and 2021, the Company had 100,000,000 shares of Common Stock authorized, with 54,141,164 and 54,478,907 issued and outstanding, respectively. 100% of the shares are owned by the Founder.

The holders of the Common Stock are entitled to one vote per share and each share has equal participation in earnings and dividends. Dividends may be paid in cash, in property or in shares of the Company's Common Stock. All shares of Common Stock are "Restricted Shares", as defined by the Company's by-laws to mean that any transfer of ownership of Common Stock must be approved by the Board of Directors or a duly authorized committee.

11. Stock-based Compensation

2021 Equity Incentive Plan

In June 2021, the Company adopted the 2021 Equity Incentive Plan (the "Plan"). The Plan is a broad-based retention program and is intended to attract and retain talented employees, directors, and nonemployee consultants. Under the Plan, employees and non-employees can be granted options on common stock, restricted stock, restricted stock units ("RSUs"), and stock appreciation rights ("SARs"). Incentive stock options may be granted to employees. All other awards, including non-statutory stock options, under the Plan may be granted to employees, directors, and consultants. The exercise price shall be no less than 100% of the fair market value of such shares on the date of grant. In addition, in cases where an incentive stock option is granted to an employee who owns stock representing more than 10% of the voting power of all classes of stock of the Company or and parent or subsidiary, the per share exercise price will be no less than 110% of the fair market value of such shares on the date of grant. Generally, these awards are based on stock agreements with ten-year contractional terms subject to board approval. As of December 31, 2021, there were 2,374,321 shares of common stock authorized for issuance under the Plan. As of December 31, 2021, there are 54,730 shares available for future grant.

Stock Appreciation Rights and Stock Options

SARs and stock options vest ratably over a prescribed service period lasting typically four years. SARs are either settled in cash or shares of the Company's common stock.at the discretion of the Board of Directors. Upon the exercise of any stock-settled SARs or stock options, the Company issues shares to the award holder from the pool of authorized but unissued common stock.

Under the Plan, at exercise, stock-settled SARs and stock option awards entitle the holder to receive one share of common stock. The Company accounts for forfeitures of awards when they occur. Stock option and SARs have only service-based vesting conditions and are recognized on a straight-line basis, by vesting tranche, over the requisite service period of the awards, which is typically four years with 25% of the award's shares vesting annually during that period.

Stock-based compensation expense for SARs and stock options granted is estimated based on the award's fair value as calculated by the Black-Scholes option pricing model. The Black-Scholes model requires various assumptions, including the fair value of the underlying common stock, expected term, expected dividend yield, expected volatility of the common stock, and a risk-free interest rate. If any of the assumptions used in the Black-Scholes model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. The absence of a public market for the Company's common stock requires the Company's board of directors to estimate the fair value of its common stock for purposes of granting options and for determining stock-based compensation expense by considering several objective and subjective factors, including contemporaneous third-party valuations, actual and forecasted operating and financial results, market conditions and performance of comparable publicly traded companies, developments and milestones in the Company, the rights and preferences of common and preferred stock, and transactions involving preferred stock. The fair value of the Company's common stock has been determined in accordance with applicable elements of the practice aid issued by the American Institute of Certified Public Accountants, *Valuation of Privately Held Company Equity Securities Issued as Compensation*. As the Company has no active trading history, expected volatility was derived from historical volatilities of selected public companies deemed to be comparable to the Company's business. The expected term represents the period that the Company's stock-based awards are expected to be outstanding. As the Company does not have sufficient historical experience for determining the expected term of the stock option awards granted, it has based its expected term on the simplified method available under U.S. GAAP. The risk-free interest rate is based on the implied yield currently available on U.S. treasury notes with terms approximately equal to the expected term of the option. The expected dividend rate is zero as the Company currently has no history or expectation of declaring dividends on the common stock. The weighted-average assumptions used to determine the fair value of SARs granted during the periods is as follows:

	Year Ended December 31, 2021
Expected term	6.10 years
Risk-free interest rate	1.09%
Expected volatility	59.22%
Dividend rate	0.00%
Fair value of common stock (range for the period)	$12.04 - $12.54
Weighted average grant date fair value of SARs granted	$ 6.77

A summary SAR activity under the Plan is presented below:

	Number of Share	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (in years)	Aggregate Intrinsic Value [1] (in thousands)
Balance as of December 31, 2020	—	$ —	—	$ —
Granted	512,360	12.29	9.71	—
Exercised	—	—	—	—
Forfeited	45,400	12.23	—	—
Balance as of December 31, 2021	466,960	$ 12.04	9.71	$ 115

[1] Based upon the difference between the fair market value of the Common Stock on the last day of the year and the grant price of in-the-money SARs.

Stock-based compensation recognized during the year ended December 31, 2021 associated with SARs was $0.4 million. As of December 31, 2021, there were unrecognized compensation costs of $2.8 million related to these SARs, which are expected to be recognized over a weighted-average period of 3.18 years.

Restricted Stock and Restricted Stock Units

RSUs granted under the Plan have a service-based vesting condition that is typically satisfied over a four-year period, with 25% of the shares vesting on each of the one-, two-, three-, and four-year anniversaries of the vesting commencement date, and some awards have a performance vesting condition. The performance vesting condition occurs at the discretion of the Board of Directors or on the earlier of (i) the consummation of an initial public offering of any class of the Company's securities on an internationally recognized stock exchange, or (ii) a change of control. From an equity-based accounting perspective, a change of control event and initial public offering are not probable until consummated. Thus, as of December 31, 2021, the Company concluded achievement of the performance condition was not probable. A summary of RSU activity under the Plan is presented below:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance as of December 31, 2020	—	$ —
Granted	1,852,631	12.09
Vested and converted to common stock	—	—
Forfeited	—	—
Balance as of December 31, 2021	1,852,631	$ 12.09

During the year ended December 31, 2021, the Company granted 1,852,631 RSUs with a service-based vesting condition and recognized $4.7 million of expense related to these RSUs. As of December 31, 2021, there were unrecognized compensation costs of $16.6 million related to these RSUs, which are expected to be recognized over a weighted-average period of 3.18 years.

In July 2021, the Company modified an existing RSU agreement with one of its employees. As result of the modification, $0.3 million was reclassified from Other non-current liabilities to Additional paid-in capital. No incremental compensation expense was recognized as a result of the modification.

Stock-based Compensation Expense

Total stock-based compensation expense included in the consolidated statement of operations is as follows (in thousands):

	Year Ended December 31, 2021
Commissions and other related costs	$ 121
General and administrative	3,727
Sales, marketing and advertising	1,216
Total Stock-based compensation expense	$ 5,064

12. Earnings (Net Loss) Per Share

Basic earnings per share is computed based on net income (loss) divided by the basic weighted-average shares outstanding during the period. Dilutive earnings per share is computed consistently with the basic computation while giving effect to all dilutive potential common shares and common share equivalents that were outstanding during the period, if any. As noted in Note 10, periods prior to the formation of Holdings on October 22, 2020, present outstanding shares as of the date of formation. The Company uses the treasury stock method to reflect the potential dilutive effect of unvested stock awards and unexercised options, if any. The following table sets forth the computation of basic and diluted earnings per share (in thousands, except shares and per share data):

	Year Ended December 31,	
	2020	2021
Net income (loss)	$ 9,205	$ (4,343)
Weighted-average shares used in computing earnings per share, basic and diluted	54,141,164	54,478,907
Earnings (net loss) per share, basic and diluted	$ 0.17	$ (0.08)

For the year ended December 31, 2021, 2,319,591 employee stock awards were excluded from the diluted EPS calculation because they were determined to be anti-dilutive.

13. Fair Value Measurements

Mortgage Loans Held for Sale

The Company values its loans held for sale using Level 2 inputs derived from observable market data in the form of purchase commitments, for each of the respective loans, entered into with secondary mortgage market buyers. The calculated gain/loss for loans held for sale, based on these Level 2 inputs, is reduced subject to an estimated funding probability factor (or "pull-through factor"), The pull-through factor is determined based on historical experience.

Interest Rate Lock Commitments ("IRLCs")

The Company enters into interest rate lock commitments with customers. IRLCs are recorded at fair value. The fair value of IRLCs is based on current market prices of securities backed by similar mortgage loans (as determined above under mortgage loans held for sale), net of costs to close the loans, subject to the estimated loan funding probability, or "pull-through factor". Given the significant and unobservable nature of the pull-through factor, IRLCs are classified as Level 3; however, the IRLCs are not material to the Company's financial statements.

Secured Credit Facilities

Borrowings under the Company's Secured credit facilities are recorded at carrying value, which approximates fair value due to the frequent nature of such borrowings and repayments. The Company considers these as a Level 2 input.

The table below shows a summary of financial statement items that are measured at estimated fair value on a recurring basis, including assets measured under the fair value option (in thousands). There were no material transfers of assets or liabilities recorded at fair value on a recurring basis between Levels 1, 2 or 3 during the year ended December 31, 2020 or the year ended December 31, 2021.

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Mortgage loans held for sale	$ —	$ 2,698	$ —	$ 2,698
IRLCs	—	—	78	78
Total assets	$ —	$ 2,698	$ 78	$ 2,776

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Mortgage loans held for sale	$ —	$ 2,015	$ —	$ 2,015
IRLCs	—	—	40	40
Total assets	$ —	$ 2,015	$ 40	$ 2,055

As of December 31, 2020 and 2021, the estimated fair values of financial liabilities that are not recorded at fair value on a recurring or non-recurring basis were not materially different from their carrying values.

14. Segment Reporting

The reportable segments presented below represent the Company's segments for which separate financial information is available and which is utilized on a regular basis by its chief operating decision maker ("CODM") to assess performance and to allocate resources. The Company's CODM is the Chief Executive Officer. In identifying its reportable segments, the Company considers the nature of services provided by its segments.

The Company has organized its operations into three operating and reportable segments: Real Estate Brokerage, Franchise, and Affiliated Business Services. These segments reflect the way the CODM allocates resources and evaluates financial performance, which is based upon each segment's EBITDA. EBITDA is defined as earnings before interest expense, net, income tax expense, depreciation and amortization, and other income, net. These charges are excluded from evaluation of segment performance because it facilitates reportable segment performance comparisons on a period-to-period basis as these costs may vary independent of business performance.

Real Estate Brokerage

The Company is engaged by its customers to assist with buying, selling, or leasing property and generates Real estate brokerage income. In exchange for its services, the Company is compensated by commission revenue earned upon closing of the sale of a property or execution of a lease.

Franchise

The Company franchises its real estate brand to real estate brokerage businesses that are independently owned and operated. Franchise revenue principally consists of royalty and marketing fees from the Company's franchisees. The royalties received by the Company are primarily derived from the number of agents affiliated with each franchisee and the number of closed transactions by each franchisee each month.

Affiliated Business Services

Beginning in 2020, the Company acts as a mortgage lender with the expectation of subsequently selling the loans it originates, in the short term. The Company also provides title and escrow services.

Segment Revenues

The following tables present the Company's revenues disaggregated by segment (in thousands):

	Revenues Year Ended December 31, 2020	2021
Real estate brokerage	$ 383,729	$ 614,598
Franchise	12,115	13,986
Affiliated business services	5,801	9,496
Eliminations	(9,139)	(10,115)
Total Revenue	$ 392,506	$ 627,965

Intercompany revenues associated with services charged to Company owned brokerages have been eliminated in consolidation.

Segment EBITDA

The Company allocates certain operating expenses to the operating and reportable segments, including customer service and merchant fees and selling, operations, technology, general and administrative based on the usage and relative contribution provided to the segments. It excludes from allocations certain operating expense lines, including depreciation and amortization, interest (expense), net, other (income) expense, net and provision for income taxes, net. Set forth in the tables below is a reconciliation of Net income to EBITDA presented by reportable segment for the years ended December 31, 2020 and 2021 (in thousands):

	Year Ended December 31, 2020	2021
Net income (loss)	**$ 9,205**	**$ (4,343)**
Income tax expense (benefit)	155	(752)
Income before income taxes	9,360	(5,095)
Add: Depreciation and amortization	911	2,644
Interest expense	182	696
EBITDA	$ 10,453	$ (1,755)

	Year Ended December 31, 2020	2021
Segment EBITDA		
Real estate brokerage	$ 8,861	$ 3,136
Franchise	1,926	6,134
Affiliated business services	1,294	451
Corporate charges[(a)]/Eliminations	(1,628)	(11,476)
Total Company	$ 10,453	$ (1,755)

[(a)] Corporate charges included $6.1 million of transaction costs related to IPO readiness and $5.1 million of stock-based compensation expense at December 31, 2021. The Company excludes these costs for segment reporting purposes.

Segment Assets

	Year Ended December 31, 2020[(b)]	2021
Real estate brokerage	$ 12,058	$ 37,658
Franchise	5,101	2,169
Affiliated business services	7,726	8,582
Total Company	$ 24,885	$ 48,409

(b) During 2021, the Company modified its method used in its analysis and evaluation of segment assets, to exclude inter-segment assets. For comparability, the 2020 amounts in the Segment Assets table above were restated to reflect this change in methodology. The exclusion of inter-segment assets is viewed by the Company to present a clearer picture of its asset allocation by segment.

15. Related Party Transactions

Included within Commissions and other agent-related costs; General and administrative operating expenses; and Sales, marketing and advertising for the year ended December 31, 2020, was approximately $13.5 million, in exchange for the Company receiving leased employee services from a company owned by the Founder. Amounts due to this entity are included within accrued expenses and other current liabilities as of December 31, 2020 and 2021 of $2.2 million and $0.2 million, respectively. Effective January 1, 2021, the Company no longer leases employee services from a related party.

Included within General & administrative expense for the years ended December 31, 2020 and 2021, was approximately $0.9 million and $0.6 million, respectively, in exchange for the Company receiving leased office space from a related party.

Included within General & administrative expense for the year ended December 31, 2020, was approximately $0.4 million, in exchange for the Company receiving the use of a leased aircraft from a related party. Effective January 1, 2021, the Company no longer leases an aircraft from a related party.

Included within Long-term related party notes payable at December 31, 2021 was $7.0 million in the form of two five-year promissory notes payable to the Founder as a result of the Reorganization that went into effect April 1, 2021. The notes had an aggregate $10.0 million initial principal balance. See Note 7 "Debt," for discussion of the Company's Long-term notes payable issued in conjunction with the Reorganization.

As part of the Reorganization, the Company issued a $2.0 million note receivable to the founder in March 2021, that was subsequently repaid in full by the Founder in April 2021. See Note 2 "Summary of Critical Accounting Policies," for discussion of the Company's note receivable issued in conjunction with the Reorganization.

During the year ended December 31, 2018, the Company entered into one note receivable agreement in the amount of $0.8 million, with the Founder, which was repaid in full during the year ended December 31, 2020.

During the year ended December 31, 2019, the Company entered into two notes receivable agreements totaling $0.7 million, with the Founder, which were repaid in full during the year ended December 31, 2020.

For the years ended December 31, 2020 and 2021, the Company made equity distributions of $10.1 million and $1.6 million, respectively, to the Founder of Holdings. During the same time periods, the Founder made equity contributions of $6.5 million and $0.4 million, respectively.

16. Subsequent events

The Company has assessed subsequent events through April 22, 2022, the date at which the consolidated financial statements were available for issuance.

Residential Real Estate Brokerage Purchase Agreement

Effective January 1, 2022, the Company completed the acquisition of Champions Real Estate Group, LLC, Champions Commercial Real Estate Brokerage Firm, LLC, Champions RE Group, LLC and CREG, LLC, a U.S.-based residential real estate brokerage. The total purchase price for the acquisition was $9.6 million, comprising $7.2 million in cash and a $2.4 million unsecured note payable, subject to certain working capital adjustments that have not yet been finalized. As a result, the purchase price may change. The promissory note is non-interest bearing

and the entire outstanding principal balance is due January 3, 2023. The note amount is subject to adjustments and offsets pursuant to the Stock Purchase Agreement.

GUARANTEE OF PERFORMANCE

For value received, HomeSmart Holdings, Inc. , a Delaware corporation (the "Guarantor"), located at 8388 E Hartford Dr., Suite 110, Scottsdale, Arizona 85255, absolutely and unconditionally guarantees to assume the duties and obligations of HomeSmart International, LLC, located at 8388 E Hartford Dr., Suite 110, Scottsdale, Arizona 85255 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2022 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Scottsdale, Arizona on the 3 day of April, 2023.

Guarantor

HomeSmart Holdings, Inc.

By: Ashley Bowers

Name: Ashley Bowers

Title: President

Exhibit B to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
FRANCHISE AGREEMENT

FRANCHISEE AGREEMENT

Please print and sign two copies and return both full, original copies to HomeSmart International, LLC. Signature required on the following pages:

1. Franchise Agreement
2. Legal Representation
3. Witness
4. Attachment 1 Royalty, Territory, Quota, Branch Offices and Fees
5. Attachment 2 Guaranty and Assumption of Franchisee's Obligations
6. Attachment 3 Consent of Spouse
7. Attachment 4 Acknowledgement
8. Attachment 5 Statement of Ownership
9. Attachment 6 Authorization Agreement for Prearranged Payments
10. Attachment 7 Collateral Assignment: Telephone Numbers, Listings & Internet Addresses
11. Attachment 8 Branch Office Authorization (not required at signing of Agreement)

HomeSmart International, LLC.
8388 East Hartford Dr., Suite 100
Scottsdale, AZ 85255

FRANCHISEE INFORMATION SHEET

Franchise #: _____

Effective Date: _____

Legal Entity Name: _____

Tax I.D. #: _____

Principal Contact: _____

Address: _____

City, State, Zip: _____

Primary Phone #: _____

Secondary Phone #: _____

Email Address: _____

Fax Number: _____

Territory: _____

_____

_____

_____

_____

FRANCHISE AGREEMENT
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ATTACHMENTS TO FRANCHISE AGREEMENT:

1. Royalty, Territory, Quotas, Branch Offices and Fees
2. Guaranty and Assumption of Franchisee's Obligations
3. Consent of Spouse
4. Acknowledgement
5. Statement of Ownership
6. Authorization Agreement for Prearranged Payments
7. Collateral Assignment of Telephone Numbers, Telephone Listings and Internet Addresses
8. Branch Office Authorization

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("**Agreement**") is made this _____ day of _____, 20__, by and between **HOMESMART INTERNATIONAL, LLC,** an Arizona limited liability company, located at 8388 East Hartford Dr., Suite 100, Scottsdale, Arizona 85255 ("**Franchisor**"), and _____, located at _____ ("**Franchisee**").

RECITALS

WHEREAS, the Franchisor has developed a comprehensive system for the operation of a business offering both residential and commercial real estate brokerage services (each a "Real Estate Brokerage Business").

WHEREAS, the Real Estate Brokerage Businesses are operated under a business format with a unique system of high standards of service, including valuable know-how, information, Trade Secrets, Confidential Information, methods, confidential Operations Manual, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development.

WHEREAS, the distinguishing characteristics of the System include the trademark "**HomeSmart®**" and other trademarks and trade names, confidential operating procedures, confidential Operations Manual, standards and specifications for equipment, services and products, method of Internet usage, methods of service, management and marketing programs and sales techniques and strategies. All of these distinguishing characteristics may be changed, improved, and further developed by the Franchisor from periodically. They are Franchisor's Confidential Information and Trade Secrets and are designated by and identified with the Marks described in this Agreement.

WHEREAS, the Franchisor continues to use, develop and control the use of the Marks to identify for the public the source of services and products marketed under the System, and which represent the System's high standards of quality, service and customer satisfaction.

WHEREAS, Franchisee acknowledges the benefits to be derived from being identified with the System, and also recognizes the value of the Marks and the continued uniformity of image to Franchisee, the Franchisor, and other franchisees of the Franchisor.

WHEREAS, Franchisee acknowledges the importance to the System of the Franchisor's high and uniform standards of quality, service and customer satisfaction, and further recognizes the necessity of opening and operating a Real Estate Brokerage Business in conformity with the System.

WHEREAS, Franchisee recognizes that to enhance the value of the System and goodwill associated with it, this Agreement places detailed obligations on Franchisee, including strict adherence to the Franchisor's reasonable present and future requirements regarding the types of services offered, advertising used, operational techniques, marketing and sales strategies and related matters.

WHEREAS, Franchisee is aware of the foregoing and desires to obtain the right to use the System and in association with the System, the right to use the Marks, and wishes to be assisted, trained, and franchised to operate a Real Estate Brokerage Business within the Territory specified in this Agreement and subject to the terms and conditions contained in this Agreement.

The parties therefore agree as follows:

1. DEFINITIONS

For the purposes of this Agreement, the following terms are hereby defined:

1.1 **"Affiliate"** - means any person or entity that controls, is controlled by, or is in common control with, the Franchisor.

1.2 "**Agent**" – means a person or group of persons licensed to sell real estate within the Territory who are affiliated with the Real Estate Brokerage Business and uses services provided by Franchisee pursuant to this Agreement. An Agent may be an employee of Franchisee or independent contractor.

1.3 "**Agreement**" - means this agreement, and all exhibits, schedules, attachments, instruments and amendment.

1.4 "**Branch Office(s)**" - means any additional Office at an approved location or locations where Franchisee operates the Real Estate Brokerage Business that is opened by Franchisee after its initial Office.

1.5 "**Business**" or "**Real Estate Brokerage Business**" - means the business operations conducted or to be conducted by Franchisee pursuant to this Agreement and consisting of a business offering commercial and residential real estate brokerage services.

1.6 "**Confidential Information**" - means all knowledge, know-how, standards, methods and procedures related to the establishment and operation of the System and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, Franchisee's Business including, without limitation, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, e-mail addresses, customer purchase records, manuals, promotional and marketing materials, marketing strategies and any other data which the Franchisor designates as confidential or Franchisee reasonably should know Franchisor would consider confidential.

1.7 "**Franchise**" - means the business operations, including the Real Estate Brokerage Business, conducted or to be conducted by Franchisee using the Franchisor's System and in association with the Marks.

1.8 "**Franchisor's System**" or "**System**" - means the standards, systems, concepts, identifications, methods, and procedures developed or used by the Franchisor, or which may hereafter be developed or used by the Franchisor, including the trademark "**HomeSmart®**" and other trademarks and trade names, confidential operating procedures, confidential Operations Manual, standards and specifications for equipment, services and products, method of Internet usage, training methods, methods of service, management and marketing programs and sales techniques and strategies for the sale and marketing of the Franchisor's Services.

1.9 **"Gross Commission Income" -** Gross Commission Income means the total of all commissions, transaction fees, property management fees, and monthly fees collected or receivable by Franchisee and Franchisee's independent sales associates, Agents, representatives, contractors, employees, partners, directors, officers, Owners, or Franchisee's Related Parties, regardless of whether or not such individuals or Related Parties are entitled to retain all or part of such Gross Commission Income, directly or indirectly, in connection with the Business (earned in compliance with all applicable laws) including, but not limited to, transactions and provision of services for which a real estate or auctioneer's license (including appraisal, title or escrow services) is required, the sale or provision of products or services that

we or any of our Related Parties develop or make available to you directly or through a third party, Property Management Services, and/or any transaction, sale and/or service in which the Marks or the System is used in any manner, without deducting any of your multiple listing fees, advertising costs, commissions, overrides, bonuses, salaries, gifts, or any other costs or expenses and other receipts and fees from its Agents and from all other sources (including but not limited to referral fees and finder's fees received from brokers or agents in other brokerage companies) which are derived from the sale, lease, transfer or other disposition (including like-kind exchanges, barter exchanges, or other exchanges of property not involving money) of Real Property, including any note, obligation, lien or other consideration given to Franchisee in lieu of a commission and insurance claims for lost profits if a claim is paid by the insurer.

a. Gross Commission Income does not include: (1) the amount of any tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from customers, provided that the amount of any tax is shown separately and in fact paid by the Franchisee to the appropriate governmental authority; (2) monthly fees or additional transaction fees charged to agent by the Franchisee; and (3) fair market rent paid by Franchisee's Agents for the lease of office space at Franchisee's Central Office or Branch Office locations.

b. Gross Commission Income will be deemed received at the earlier of the closing of any transaction described above or when payment for any Services is received by Franchisee or an Agent. Gross Commission Income consisting of property or services will be valued at the fair market value of the property or services at the time that they are received.

1.10 **"Lease"** - means any agreement (whether oral or written) under which the right to occupy an Office has been obtained, and any amendment made to the lease periodically, including, any offer to lease, license or lease agreement. The term "Lease" will include a sublease, and a renewal or extension of a lease or sublease.

1.11 **"Marks"** - means "HomeSmart®", to the extent of the Franchisor's rights to the same, together with those other trade names, trademarks, symbols, logos, distinctive names, service marks, certification marks, logo designs, insignia or otherwise which may be designated by the Franchisor periodically as part of the System for use by Franchisees, and not withdrawn.

1.12 **"Office(s)"** - means the approved location or locations where Franchisee operates the Real Estate Brokerage Business.

1.13 **"Opening Date"** - means the first of the following to occur on or after the Effective Date: Franchisee begins conducts business using the Marks, offers any Services to the public, Franchisee collects any Gross Commission Income, Franchisee uses any Mark, Franchisee opens any Office, one hundred twenty (120) days after the Effective Date; or, Franchisee otherwise engages in a Real Estate Brokerage Business.

1.14 **"Operations Manual"** - means, but is not limited to, collectively, all directives, books, pamphlets, bulletins, memoranda, order forms, invoices, letters, e-mail, Internet or intranet data, or other publications, documents, Software programs, video tapes, transmittances or communications, in whatever form (including electronic form) prepared by or on behalf of the Franchisor for use by the franchisees generally or for Franchisee in particular, setting forth information, advice and standards, requirements, marketing information and procedures, operating procedures, instructions or policies relating to the operation of the Business or the operation of Franchises, as same may be added to, deleted or otherwise amended by the Franchisor periodically.

1.15 **"Products"** - means all supplies and other materials used by Franchisee or provided to Franchisee's customers in connection with the Business and associated with the Marks.

1.16 **"Real Property"**– means single and multiple unit residential housing, commercial property, farm houses, vacant land to be used for residential, agricultural, recreation or commercial purposes; condominiums, cooperatives, townhouses, vacation houses, interests in interval-ownership and time share residential units, and mobile home when affixed to the ground.

1.17 **"RealSmart Broker™"**- means the proprietary integrated technology system that integrates data taken from the MLS together with data collected, uploaded and entered from each agent and broker provided to each Franchisee. The RealSmart Broker comprises two integrated platforms identified as "Real Smart Agent or RSA" and "RealSmart Broker or RSB" as well as proprietary marketing, CRM, lead management, transaction management, website management, and agent and broker technology tools.

1.18 **"Services"** - means any and all assistance, guidance, recommendations, marketing and other services for the sale, transfer or other disposition of Real Property conducted or otherwise provided by Franchisee and the Agents in connection with the Business or associated with the Marks.

1.19 **"System Instance"**- means the unique identifier or unique system identification number assigned to your HomeSmart International Brokerage Business that allows you access to information within the RealSmart Broker.

1.20 **"Trade Secret(s)"** - means information, including a formula, pattern, compilation, program, device, method, technique or process related to the System that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. COVENANTS, REPRESENTATIONS, AND WARRANTIES OF FRANCHISEE

Franchisee covenants, represents and warrants as follows and acknowledges that the Franchisor is relying upon these covenants, representations and warranties in making its decision to enter into this Agreement.

2.1 Franchisee acknowledges that it has received, has had ample time to read, and has read this Agreement, the Disclosure Document, and all related agreements with the Franchisor. Franchisee acknowledges that the Franchisor has advised it to obtain independent legal and accounting advice with respect to this Agreement and the transactions arising out of this Agreement. Franchisee further acknowledges that it has had an adequate opportunity to be advised by legal, accounting and other professional advisors of its own choosing regarding all pertinent aspects of the Business, the Franchisor and this Agreement.

2.2 Franchisee has, or has made firm arrangements to acquire, funds to commence, open and operate the Business. Franchisee is financially and otherwise able to accept the risks attendant upon entering into this Agreement.

2.3 All statements made by Franchisee in writing in connection with its application for the Franchise were true when made and continue to be true as of the date of this Agreement.

2.4 There are no material financial obligations of Franchisee whether actual or contingent, which are outstanding as of the date of this Agreement other than those, disclosed to the Franchisor by Franchisee in writing.

2.5 Franchisee is not a party to or subject to any court or administrative order or action of any governmental authority that would limit or interfere in any way with the performance by Franchisee of its obligation hereunder.

2.6 Franchisee is not a party to any litigation or legal proceedings other than those that have been disclosed to the Franchisor by Franchisee in writing.

2.7 Franchisee represents that it is not a party to or subject to agreements or arrangements that might conflict with the terms of this Agreement and agrees not to enter into any conflicting agreements or arrangements during the Initial Term or any Interim Period.

2.8 Franchisee agrees and acknowledges that it has not been induced to enter into this Agreement in reliance upon, nor as a result of, any statements, representations, warranties, conditions, covenants, promises or inducements, whatsoever, whether oral or written, and whether directly related to the contents of this Agreement or collateral thereto, made by the Franchisor, its officers, directors, agents, employees or contractors except as provided herein. Franchisee acknowledges that the Franchise has been granted in reliance upon the information supplied to the Franchisor in Franchisee's application for a Franchise.

2.9 Franchisee represents that it or its owners are licensed real estate brokers under the laws of the state or states where each Office is located; are familiar with the real estate laws and regulations of the state or states; have previous experience in Real Property transactions; and, the Franchise is being acquired to use the System and the Marks in the operation of a real estate brokerage business and not for speculative or investment purposes.

2.10 Franchisee and its owners agree to comply with and/or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with this compliance, Franchisee and its owners certify, represent, and warrant that none of their property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its owners are not otherwise in violation of any of the Anti-Terrorism Laws.

2.11 Franchisee and its owners certify that they, their respective employees, and anyone associated with Franchisee are not listed in the Annex to Executive Order 13224 (http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html). Franchisee agrees not to hire (or, if already employed, retain the employment of) any individual who is listed in the Annex.

2.12 Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee, its owners, their employees, or anyone associated with Franchisee to be listed in the Annex to Executive Order 13224.

2.13 Franchisee is solely responsible for ascertaining what actions it must take to comply with the Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities set forth in this Agreement pertain to its obligations under this Section 2.10.

2.14 Any misrepresentation under this Section or any violation of the Anti-Terrorism Laws by Franchisee, its owners, agents, or its employees constitutes grounds for immediate termination of this Agreement and any other agreement Franchisee has entered with Franchisor or any of its Affiliates.

2.15 "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S.

Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control and any government agency outside the U.S.) addressing or in any way relating to terrorist acts and/or acts of war.

2.16 The articles of incorporation, articles of organization, operating agreement, partnership agreement, shareholder agreement, and by-laws of the corporation, limited liability company, partnership or other business agreements ("Ownership Documents") reflecting the ownership of the entity executing this Agreement shall: (a) provide that its objectives or business is confined exclusively to the operation of the Business as provided for in this Agreement; (b) include reasonable buy-sell and dispute resolution terms; and (c) recite that the issuance and transfer of any shares, membership interest, partnership interest or other interest is restricted by the terms of this Agreement. Copies of the relevant Ownership Documents shall be furnished to the Franchisor upon request.

3. GRANT OF LICENSE

3.1 Subject to all the terms and conditions of this Agreement, the Franchisor hereby grants to Franchisee, and Franchisee accepts, for the Initial Term of this Agreement and any Interim Period, the right and license ("**License**") to:

a. Operate a Real Estate Brokerage Business at one (1) approved Central Office location and additional, if any, Branch Office locations at approved locations in the geographic are set forth in **Attachment 1** to this Agreement ("**Territory**"**)** upon the terms and conditions of this Agreement.

b. Use the Marks and the System; and

c. Offer and market ONLY the Franchisor's approved Services and Products, unless the Franchisor approves in writing Franchisee's request to offer and market complementary and non-competing services or products.

3.2 Franchisee recognizes that variations and additions to the System may be required periodically to preserve and/or enhance the System. Therefore, Franchisor expressly reserves the right to add to, subtract from, revise, modify or change periodically the System or any part thereof, and Franchisee agrees to promptly accept and comply with any addition, subtraction, revision, modification or change and to make those reasonable expenditures as may be necessary to comply pursuant to Section 9.

3.3 Franchisee recognizes that the rights granted to Franchisee hereunder are for the specific Territory defined in Section 3.1 above and **Attachment 1** and no other, and cannot be transferred to an alternate Territory without the prior written approval of Franchisor, which approval may be granted or withheld by Franchisor.

4. TERM OF THE AGREEMENT AND LICENSE

4.1 This Agreement and the License granted hereunder will continue for a period of ten (10) years ("**Initial Term**"). This Initial Term begins on the date this Agreement is signed by the Franchisor, subject, however, to termination in accordance with the provisions of this Agreement. When the Initial Term and any Interim Period expires, Franchisee will have the option, as determined by Franchisor, to extend its rights to operate the Business for one additional term ("**Successor Term**") of ten (10) years. If

Franchisee's rights to operate the Business are extended, Franchisee must pay the Franchisor the Successor Franchise Fee set forth in Section 4.4(b).

4.2 The Franchisor may refuse to extend Franchisee's rights to operate the Business if Franchisee has:

a. Failed to remedy any breach of this Agreement by Franchisee specified by the Franchisor in a written notice to Franchisee as per Sections 18.1 or 18.2; or

b. Committed and received notice of two (2) or more breaches of this Agreement in the twenty-four (24) months before the end of the Initial Term, even if those breaches were timely remedied; or

c. Failed to meet the Annual Agent Quota as set forth in Section 5.4 for any year during the Initial Term or any Interim Period; or

d. Failed to open the number of Branch Offices, as set forth in Section 5.4 for any year during the Initial Term or any Interim Period; or

e. Franchisee has not given the Franchisor a written notice of intent to extend Franchisee's rights to operate the Business no less than six (6) months or more than nine (9) months before the expiration of the Initial Term; or

f. Franchisee is not current in all its payment obligations to the Franchisor or to Franchisee's trade creditors.

4.3 If the Franchisor agrees to extend Franchisee's rights to operate the Business at the end of the Initial Term or any Successor Term, Franchisee will sign a successor franchise agreement ("**Successor Franchise Agreement**") and all other agreements in the form then being used by the Franchisor in granting new franchises and pay the Successor Franchise Fee set forth in Section 4.4(b). The Franchisor reserves the right to change any term(s) of the Successor Franchise Agreement form to be signed by Franchisee upon the extension of Franchisee's rights to operate the Business (except as specified below). There will not, however, be another Initial Franchise Fee charged in connection with the extension of Franchisee's rights to operate the Business. IN FRANCHISOR'S SOLE DETERMINATION, THE FRANCHISEE MAY BE DEEMED TO HAVE IRREVOCABLY DECLINED TO RENEW THE FRANCHISE (AND ITS OPTION WILL THEREUPON TERMINATE) IF IT FAILS TO SIGN AND RETURN TO THE FRANCHISOR THE SUCCESSOR FRANCHISE AGREEMENT AND OTHER DOCUMENTS REQUIRED BY THE FRANCHISOR WITHIN THIRTY (30) DAYS AFTER THEIR DELIVERY TO THE FRANCHISEE, OR FAILS TO COMPLY IN ANY OTHER WAY WITH THE PROVISIONS OF THIS SECTION 4.

4.4 As additional conditions to the extension of Franchisee's rights to operate the Business, the Franchisor reserves the right to require Franchisee to:

a. Sign a general release of all claims Franchisee may have against the Franchisor, its officers, directors, members, shareholders, agents, Affiliates, and employees, whether in their corporate and/or individual capacities. This release will include all claims arising under any federal, state, or local law, rule, or ordinance arising out of or concerning this Agreement (to the fullest extent permitted by law) and will be in a form satisfactory to the Franchisor;

b. Pay the successor franchise fee ("**Successor Franchise Fee**") set forth in **Attachment 1**, which is due and payable to the Franchisor at the time of signing the Successor Franchise Agreement;

c. Agree to give the Franchisor not less than six (6) months nor more than nine (9) months prior written notice of Franchisee's election to extend (or not to extend) Franchisee's rights to operate the Business. Failure to give timely notice of Franchisee's intention to extend its rights to operate the Business will be deemed an election not to extend Franchisee's rights to operate the Business;

d. Upgrade the Computer System and any related Software used in operations of the Business to Franchisor's then-current standards and specifications;

e. Comply with all other provisions contained in the Operations Manual, as modified periodically by Franchisor; and

f. Provide proof of current certificates, authorizations, licenses, insurance and permits.

4.5 If Franchisee desires to open any additional Branch Offices during the Successor Term, Franchisee will pay the Branch Office Fee for each additional Branch Office in accordance with Section 6.2.

4.6 If Franchisee does not sign a Successor Franchise Agreement before the expiration of this Agreement and continues to accept the benefits of this Agreement and the License after the expiration of this Agreement and the License, then at the option of Franchisor, this Agreement and the License may be treated either as (i) expired as of the date of expiration with Franchisee then operating without a franchise to do so and in violation of Franchisor's rights; or (ii) continued on a month-to-month basis ("**Interim Period**") until one party provides the other with written notice of the party's intent to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period. In the latter case, all obligations of Franchisee will remain in full force and effect during the Interim Period as if this Agreement and the License had not expired, and all obligations and restrictions imposed on Franchisee upon expiration of this Agreement and the License will be deemed to take effect upon termination of the Interim Period.

5. TERRITORY

5.1 During the Initial Term and for so long as Franchisee is in compliance with all of its obligations hereunder, except as otherwise provided in this Agreement, and subject to Franchisor's reservation of rights as set forth in Section 5.2 and as provided in Section 5.4 below, neither Franchisor nor any Affiliate of the Franchisor will open or license another person or entity to open or allow any others to open a competing HomeSmart International Real Estate Brokerage Business using the Marks licensed to Franchisee within the Territory encompassed by the boundaries set forth in **Attachment 1**, attached and incorporated by reference. The rights granted to Franchisee in this Section do not prohibit other franchisees and agents of Franchisor from listing and selling Real Property in Franchisee's Territory nor is Franchisee prohibited from listing or selling Real Property in a territory granted to another Franchisee, provided that Franchisee is licensed to sell Real Property in that area. Except as otherwise specifically provided in this Agreement, this Agreement does not restrict the Franchisor or its Affiliates and does not grant rights to Franchisee to pursue any of Franchisor's or its Affiliates other business concepts other than the Real Estate Brokerage Business.

5.2 Franchisee acknowledges that the Franchise granted hereunder is non-exclusive and that the Franchisor and its Affiliates retain the exclusive right to, among others:

a. Use, and to license others to use, the Marks and System for the establishment of Real Estate Brokerage Businesses at any location or Office other than in the Territory, regardless of proximity to the Territory;

b. Use, license and franchise the use of trademarks or service marks other than the Marks, whether in alternative channels of distribution or at any location including within the Territory, in association with operations that are the same as, similar to or different from the Real Estate Brokerage Business;

c. Use the Marks and the System in connection with the provision of other services and products or in alternative channels of distribution such as those described in Section 5.2(d), at any location including within the Territory;

d. Offer the Services or Products, or grant others the right to offer the Services or Products, whether using the Marks or other trademarks or service marks, through alternative channels of distribution, including without limitation, distribution outlets other than Real Estate Brokerage Businesses, or by Internet commerce (e-commerce), mail order or otherwise, whether inside or outside the Territory;

e. Use any websites utilizing a domain name incorporating one or more of the words "**Home**" and/or "**Smart**" or similar derivatives. The Franchisor retains the sole and exclusive right to market on the Internet and use the Marks on the Internet, including all use of websites, domain names, URL's, directory addresses, metatags, linking, advertising, and co-branding and other arrangements. Franchisee may not independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique, with words or symbols similar to the Marks or otherwise establish any presence on the Internet without Franchisor's prior written approval. The Franchisor intends that any Franchisee website be accessed only through the Franchisor's home page. Franchisee will provide the Franchisor with content for the Franchisor's Internet marketing, and will sign Internet and intranet usage agreements, if any. The Franchisor retains the right to approve any linking or other use of its website; and

f. To acquire businesses that are the same as or similar to the Real Estate Brokerage Business and operate those businesses regardless of where the businesses are located, including inside the Territory, and to be acquired by any third party which operates businesses that are the same as or similar to the Real Estate Brokerage Business regardless of where those businesses are located, including inside the Territory.

5.3 In determining the Territory, as set forth in **Attachment 1**, Franchisor will use geographic or political boundaries (including but not limited to city, county, or state boundary lines) and other characteristics including natural boundaries, and the amount and size of urban, suburban and rural areas. In addition, Franchisor will consider the most recent data available from the National Association of Realtors to determine the number of licensed Agents within the proposed Territory. Franchisee acknowledges and agrees that once the Territory has been established, it will not be changed regardless of any increase or decrease of the number of licensed Agents within in the Territory.

5.4 To maintain the Territory, Franchisee must:

a. Secure a Central Office location with a term of no less than one (1) year in the Territory. This obligation is a continuing obligation that begins on the Effective Date of the Franchise Agreement and continues throughout the term of the Franchise Agreement provided that, as provided in

Section 9.12 of the Franchise Agreement, Franchisee shall have six (6) months from the Effective Date to secure its first Central Office in the Territory.

b. Meet the Annual Agent Quota set forth in **Attachment 1**, which has been mutually agreed upon by the parties as a fair and accurate number of Agents that must be employed by or associated with Franchisee during each year of the Initial Term and any Interim Period.

c. Open the number of Branch Offices in the Territory set forth in **Attachment 1**, which has been mutually agreed upon by the parties as a fair and accurate number of Branch Offices that Franchisee has the resources and capability of opening during the Initial Term. For each Branch Office that Franchisee desires to open, Franchisee will propose a location for the Office, which is subject to Franchisor's approval. Franchisee will provide Franchisor with information regarding the proposed location at least ten (10) business days prior to the end of the calendar year. Franchisor will approve or disapprove the proposed location within 10 business days. If Franchisor approves the proposed location, Franchisor and Franchisee will sign a Branch Office Approval Form, in the form of **Attachment 8**, evidencing the proposed location and Franchisor's approval of the location. If Franchisor does not approve the proposed location, Franchisee will provide Franchisor with another proposed location.

Franchisee's failure to satisfy the Annual Agent Quota or open the number of Branch Offices set forth in **Attachment 1** may result in the reduction or elimination of Franchisee's Territory or the termination of this Agreement, as Franchisor determines.

6. FEES

6.1 Franchisee will pay a non-recurring initial franchise fee as set forth in **Attachment 1** ("**Initial Franchise Fee**") to the Franchisor upon the execution of this Agreement, plus, if due and payable, all applicable federal, state or municipal taxes. The Initial Franchise Fee will be paid by means of cashier's check, money order or wire transfer. The Initial Franchise Fee is deemed fully earned by the Franchisor when paid. The Initial Franchise Fee is non-refundable once paid except as provided for in Section 6.1. Any fee paid by Franchisee to Franchisor in connection with Franchisee's application to Franchisor for approval to become a franchisee will be credited, in full, towards the Initial Franchise Fee. The Initial Franchise Fee will be non-refundable unless the Franchisor elects to refund all or a portion of the Initial Franchise Fee to Franchisee.

6.2 In addition to the Initial Franchise Fee, Franchisee will pay a fee for each Branch Office (the "**Branch Office Fee**") as set forth in **Attachment 1** for each Branch Office that Franchisee opens. Branch Office Fees plus all applicable federal, state or municipal taxes are due and payable to Franchisor immediately prior to the Opening Date. Branch Office Fees are non-refundable under any circumstances once paid.

6.3 For each month from and after the Opening Date, Franchisee will pay to Franchisor a royalty fee ("**Royalty Fee**") as set forth in **Attachment 1**.

6.4 For each month from and after the Opening Date, Franchisee will pay to Franchisor a license fee for the use of all Software and other technology provided by Franchisor ("**Technology Fee**") as set forth in **Attachment 1**. For each month, Franchisee shall also pay to Franchisor a fee for the integration of MLS generated data by Franchisor into Franchisee's RealSmart Broker (the **"MLS/RETS Fee"**) as set forth in **Attachment 1**.

6.5 Franchisor has the right to require that each of Franchisee's agents pay to Franchisor an annual membership fee ("**Annual Membership Fee**") as set forth in **Attachment 1** for the right to

participate in Franchisor's System. When implemented, the Annual Membership Fee will be payable to Franchisor within ten (10) days after each agent commences his or her association with Franchisee and annually, thereafter, on or before the 10th day of the month during which the anniversary of the agent's association with Franchisee occurs. Once established, Franchisor reserves the right to increase the Annual Membership Fee annually. If any agent fails to pay an Annual Membership Fee when due, then Franchisee must pay such fee on demand from Franchisor.

6.6 Franchisor may require Franchisee to utilize a HomeSmart specific domain name and to pay an annual (or other fiscal period required by the domain registrar) fee to Franchisor in exchange for the right to use the HomeSmart specific domain name (the "**Domain Name Fee**") with its HomeSmart International Real Estate Brokerage Business. The Domain Name Fee is set forth in **Attachment 1**. The domain name will, at all times, be our property but we will allow Franchisee, as long as Franchisee complies with the Franchise Agreement, to utilize the domain name in the operation of the HomeSmart Real Estate Brokerage Business.

6.7 The Royalty Fee (as defined in Section 6.3 and Attachment 1), Technology Fee (as defined in Section 6.4), Marketing Fees (as defined in Section 12.1), Domain Name Fee (as defined in Section 6.6), and MLS/RETS Fee (as defined in Section 6.4) (collectively "**Fees**") are payable to Franchisor on or before the 10th day of each month for the preceding calendar month and are payable through the entire Initial Term of this Agreement and any Interim Period. Franchisee will pay the Fees monthly or in any other frequency as the Franchisor may require upon written notice to Franchisee by the Franchisor. Franchisee will not subordinate to any other obligation its obligation to pay the Fees, or any other fee or charge hereunder. Each payment of Fees will be accompanied by a report, in a form and substance prescribed by Franchisor. **Each failure to include a fully completed statement of the previous month's Gross Commission Income with your payment of Fees payable to the Franchisor when due constitutes a material breach of this Agreement.**

6.8 You may, but are not obligated to participate in the HomeSmart+ Plan (the "**HomeSmart+ Plan**"). If you participate in the HomeSmart+ Plan, you will employ an 80/20 commission split with all participating agents. Upon your receipt of your 20% of the commission, you will retain the greater of 1/4 of the commission or $500 and deliver the remainder of the commission to SRN, LLC. We will deposit 2/3 of the amount you pay to us into the HomeSmart+ Plan account and retain 1/3. The HomeSmart+ Plan account will make payments to accounts owned by Franchisee but controlled by SRN, LLC for payment of bonuses, referral fees, and other payouts to participating agents. The policies and procedures of the HomeSmart+ Plan are part of our Operations Manual. Fees payable under the HomeSmart+ Plan are in addition and not in lieu of other fees set forth in this Section 6.

6.9 The Franchisor requires Franchisee to remit all Fees and other amounts due to the Franchisor hereunder via electronic funds transfer ("**ACH**") or other similar means utilizing a Franchisor approved Computer System or otherwise. The ACH Authorization is attached to this Agreement as **Attachment 6**. If the Franchisor directs Franchisee to use this payment method, Franchisee agrees to comply with procedures specified by the Franchisor and/or perform those acts and deliver and sign those documents, including authorization for direct debits from Franchisee's business bank operating account, as may be necessary to accomplish payment by this method. Under this procedure Franchisee will authorize the Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of Fees and other amounts payable to the Franchisor, including any interest charged thereon. Franchisee will make funds available to the Franchisor for withdrawal by electronic transfer no later than the due date for payment therefore. If Franchisee has not timely reported the Gross Commission Income to the Franchisor for any reporting period, then the Franchisor is authorized, at the Franchisor's option, to debit Franchisee's account in an amount equal to (a) the Fees transferred from Franchisee's account for the last reporting period for which a report of the Gross Commission Income was provided to

the Franchisor as required hereunder; (b) the minimum Royalty Fee and FMAF funds (as defined in Section 12.1(a)), or (c) the amount due based on information retrieved from the Franchisor approved Computer System.

7. ACCOUNTING, RECORDS, AUDITS AND LATE PAYMENT CHARGES

7.1 Franchisee will keep those complete records of its Business as a prudent and careful businessperson would normally keep. Franchisee must use the accounting system and the pre-formatted template required by the Franchisor, if any. Franchisee will keep its financial books and records as the Franchisor may periodically direct in the Operations Manual or otherwise, including retention of all invoices, order forms, payroll records, check records, bank deposit receipts, sales tax records, commission reports, settlement statements, refunds, cash disbursements, journals, and general ledgers. Franchisee will advise the Franchisor of the location of all original documents and will not destroy any records without the written consent of the Franchisor.

7.2 Franchisee will prepare, on a current basis, complete and accurate records concerning all financial, marketing and other operating aspects of the Business conducted under this Agreement, as the Franchisor will prescribe periodically. Franchisee will maintain an accounting system which accurately reflects all operational aspects of the Business including uniform reports as may be required by the Franchisor. Franchisee's records will include tax returns, daily reports, statements of Gross Commission Income (to be prepared each month for the preceding month), profit and loss statements (to be prepared at least quarterly by an independent Certified Public Accountant), and balance sheets (to be prepared at least annually by an independent Certified Public Accountant).

7.3 Franchisee will also submit to the Franchisor, Franchisee's current financial statements and other reports as the Franchisor may reasonably request to evaluate or compile research and performance data on any operational aspect of the Business. Franchisee will provide the Franchisor with a copy of its federal tax return for the previous tax year (fiscal or calendar) within sixty (60) days of submitting its federal tax return. In the event that Franchisee files an extension with the Federal Government to file its federal taxes for the previous year, Franchise must notify Franchisor within ten (10) days of filing such extension in writing.

7.4 The records required under this Section 7 pertain only to Franchisee's operation of the Business. The Franchisor has no right to inspect, audit or copy the records of any of Franchisee's unrelated business or personal activities. Franchisee will keep the books and records of the Business separate from the records of any unrelated business or personal activity.

7.5 From the date Franchisee and the Franchisor sign this Agreement until three (3) years after the end of the expiration or termination of this Agreement, the Franchisor or Franchisor's authorized agent will have the right to request, receive, inspect and audit any of the records referred to above wherever they may be located. The Franchisor agrees to conduct its inspections and audits at reasonable times. Franchisee agrees to keep all records and reports for six (6) years from the date these records are created. Should any inspection or audit disclose a deficiency in the payment of any Royalty Fee, FMAF funds or other amounts required to be paid under this Agreement, Franchisee will immediately pay the deficiency to the Franchisor, without the need for further action or notice on the part of Franchisor and without prejudice to any other remedy of the Franchisor under this Agreement or otherwise. In addition, if the deficiency for any audit period discloses a deficiency in the amount of any Royalty Fee, FMAF funds or other amounts due by 2% or more, Franchisee will also immediately pay to the Franchisor the entire cost of the inspection or audit including travel, lodging, meals, salaries, and other expenses of the inspecting or auditing personnel. For the purposes of this Section 7.5, an audit period will be each fiscal year. Should the audit disclose an

overpayment of any Royalty Fees, FMAF funds, or other amounts due, the Franchisor will credit the amount of the overpayment to Franchisee's payments of Royalty Fees and FMAF funds next falling due.

7.6 If Franchisee's records and procedures are insufficient to permit a proper determination of Gross Commission Income, the Franchisor will have the right to either require Franchisee to pay the minimum Royalty Fee or deliver to Franchisee an estimate, prepared by the Franchisor, of Gross Commission Income for the period under consideration and Franchisee will immediately pay to the Franchisor any amount shown thereby to be owing on account of the Royalty Fee, FMAF funds and other sums due on account of any understatement. Any estimate is final and binding upon Franchisee.

7.7 To encourage prompt payment and to cover the costs and expenses involved in handling and processing late payments, Franchisee will also pay, upon demand, a late charge equal to 5% of the amount of the late payment plus interest of 1.5% per month on the late amount on all payments due to the Franchisor during the period of time said payments are due and unpaid. Each failure to pay Royalty Fees, Annual Membership Fees, FMAF funds, and other amounts payable to the Franchisor when due constitutes a material breach of this Agreement. Franchisee acknowledges that this Section 7.7 will not constitute Franchisor's agreement to accept these payments after the same are due or a commitment by Franchisor to extend credit to or otherwise finance Franchisee's operation of the Real Estate Brokerage Business. Further, Franchisee acknowledges that failure to pay all such amounts when due will, notwithstanding the provisions of this Section 7.7, constitute grounds for termination of this Agreement.

7.8 Any report of the Franchisor's auditor rendered periodically pursuant to this Section 7 is final and binding upon all of the parties.

7.9 Franchisee hereby authorizes the Franchisor to make reasonable inquiries of Franchisee's bank, suppliers and trade creditors concerning the Business and hereby directs those persons and companies to provide to the Franchisor this information and copies of documents pertaining to the Business as the Franchisor may request.

7.10 Franchisee acknowledges and agrees that the Franchisor owns all business records ("**Business Records**") with respect to customers and other service professionals of, and/or related to, the Real Estate Brokerage Business including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, telephone numbers, e-mail addresses, customer purchase records, and all other records contained in the database, and all other Business Records created and maintained by Franchisee. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Agreement, Franchisor may access these Business Records, and may utilize, transfer, or analyze these Business Records as Franchisor determines to be in the best interest of the System.

7.11 To encourage prompt delivery of all Business Records, Certificates of Insurance, Gross Commission Income statements and any other documentation or record that may be requested by Franchisor under this Agreement, Franchisee will pay, upon demand, a late report fee in the amount of the greater of $100 or 5% of the required amount per record or document requested if Franchisee fails to deliver this record or document when due.

7.12 If Franchisee pays the Royalty Fee or any other sums due to Franchisor under this Agreement with a check returned for non-sufficient funds more than one time in any calendar year, in addition to all other remedies which may be available, Franchisor will have the right to require that Royalty Fee payments and any other sums due to Franchisor under this Agreement be made by certified or cashier's checks. If Franchisee fails to pay the Royalty Fee or any other sums due to Franchisor under this Agreement by the due date two (2) times during the Initial Term or any Interim Period, in addition to all other remedies

which may be available, the Franchisor reserves the right to require that Franchisee pay the Royalty Fee or any other sums due to Franchisor under this Agreement on a weekly basis.

7.13 Franchisee agrees that, during the Initial Term and for the three (3) years after the expiration or termination of this Agreement, Franchisee will supply to the Franchisor Franchisee's home (or Business location, if other than Franchisee's home) address and telephone number.

8. SERVICES AND ASSISTANCE

8.1 The Initial Franchise Fee, Royalty Fee, and any Annual Membership Fee are paid for the License, which includes the use of the Marks, the System and the use of the Franchisor's Trade Secrets and Confidential Information provided pursuant to this Agreement and for certain services rendered by the Franchisor.

8.2 The Franchisor will offer Franchisee initial and continuing services, as the Franchisor deems necessary or advisable in furthering Franchisee's Business and the business of the System as a whole and in connection with protecting the Marks and goodwill of the Franchisor. Failure by the Franchisor to provide any particular service, either initial or continuing, will not excuse Franchisee from any of its obligations under this Agreement.

8.3 Currently, prior to Franchisee's opening of the Business, Franchisor will:

a. Agree upon Franchisee's Territory, which will be set forth in **Attachment 1**.

b. Approve Franchisee's proposed Offices. The factors that Franchisor will consider for such approval are whether the Office is located in Franchisee's Territory, if it is located in a conventional office located outside of any personal residence, if it is used solely and exclusively for the operation of the Real Estate Brokerage Business, and if it is located sufficiently far enough away from any office of another HomeSmart franchisee, as determined by Franchisor. Franchisee acknowledges and agrees that Franchisor's approval of any Office in no way constitutes a warranty by Franchisor that the Office will achieve any particular level of sales or profits or that the Office satisfies any or all federal, state or local laws, ordinances or regulations for the operation of Franchisee's Real Estate Brokerage Business.

c. Furnish Franchisee with specifications for the design and physical appearance of each Office and a description of the supplies required for the operation of Franchisee's Business as stipulated in Section 9.

d. Within ninety (90) days after the execution of this Agreement and Franchisee's receipt of all required licenses and permits to operate the first Office, provide Franchisee, or if Franchisee is an entity, a person designated to manage the Business ("**Designated Business Manager**") with an initial training program. The initial training program is for between three (3) and five (5) business days at the Franchisor's facilities in Scottsdale, Arizona (or other location designated by the Franchisor). Franchisee must pay for airfare, meals, transportation costs, salaries, benefits, lodging and incidental expenses for all initial training program attendees. Training may include a discussion of the System, techniques, procedures, methods of operation, advertising, sales techniques, promotional ideas, marketing plans, customer relations, instructions on quality standards and practical experience in the operation of the Business.

e. Loan Franchisee, during the Initial Term (including any Interim Period), one (1) copy of the Franchisor's confidential Operations Manual containing mandatory and suggested specifications, standards, operating procedures and rules prescribed periodically by the Franchisor as further stipulated in this Section 8, and containing information relative to other obligations of Franchisee

hereunder. Specifications, standards and operating procedures prescribed periodically by the Franchisor in the Operations Manual or otherwise communicated to Franchisee in writing constitutes provisions of this Agreement as if fully set forth herein. Franchisee will operate the Business strictly in accordance with the Operations Manual. Failure to comply with the standards set forth in the Operations Manual constitutes a material breach of this Agreement. The Franchisor reserves the right to provide the Operations Manual and updates to the Operations Manual in electronic form or other form determined by the Franchisor. The Franchisor will have the right to add to, and otherwise modify, the Operations Manual periodically to reflect changes in authorized Services, business image or the operation of the Business; provided, however, none of these additions or modifications will alter Franchisee's fundamental status and rights under this Agreement. Some of the revisions to the Operations Manual may include changes with respect to: (i) sales and marketing strategies; (ii) equipment and supplies; (iii) accounting and reporting systems and forms; (iv) insurance requirements; (v) operating procedures; and (vi) Services. Franchisee agrees to accept, implement and adopt any of these modifications at its own cost. Franchisee will keep its printed copy of the Operations Manual updated with replacement pages and insertions, as instructed by the Franchisor. Franchisee acknowledges that the Operations Manual is loaned to Franchisee and will always remain the sole and exclusive property of the Franchisor. Upon termination of this Agreement, for any reason whatsoever, Franchisee will promptly return the Operations Manual together with all copies of any portion of the Operations Manual that Franchisee may have made, to the Franchisor.

8.4 Currently, after Franchisee opens the Business, Franchisor reserves the right to:

a. Make a representative reasonably available to speak with Franchisee on the telephone during normal business hours, as Franchisor determines is necessary, to discuss Franchisee's operational issues and support needs; provided, however, that questions regarding technological support will be referred to third parties (including but not limited to Affiliates of Franchisor) who may charge a fee for providing Franchisee with these technological support services.

b. Hold periodic conferences to discuss sales techniques, new service developments, bookkeeping, training, accounting, performance standards, advertising programs, marketing procedures and other topics. These conferences may be held at the Franchisor's Scottsdale, Arizona headquarters, Franchisee's Office or at a location chosen by the Franchisor, as determined by the Franchisor. Franchisee will be required to pay any conference fee charged by Franchisor and must pay all its travel and living expenses to attend.

c. Hold a mandatory annual conference to discuss sales techniques, new service developments, training, bookkeeping, accounting, performance standards, advertising programs, marketing procedures and other topics. Franchisee must pay any conference fees charged by Franchisor, and all personal travel and living expenses. In the event Franchisee does not attend the mandatory annual conference, Franchisor will charge Franchisee the conference fees. These mandatory annual conferences are held at the Franchisor's Scottsdale, Arizona headquarters or at a location chosen by the Franchisor.

d. Inform Franchisee of mandatory specifications, standards and procedures for the operations of the HomeSmart Real Estate Brokerage Business.

e. Research new Services and methods of doing business, periodically, and provide Franchisee with information concerning developments of this research.

f. Maintain the FMAF and use these funds to develop promotional, advertising and public relations programs for Real Estate Brokerage Businesses.

g. Provide advertising materials to Franchisee as Franchisor deems necessary.

h. A representative of Franchisor may provide additional assistance. There may be additional charges for this additional assistance. If Franchisor provides additional assistance, the Franchisor and Franchisee must agree in advance on the charges for the visit and the length of the visit.

i. Provide Franchisee with a monthly newsletter.

8.5 If Franchisee believes Franchisor has failed to adequately provide pre-opening services to Franchisee as provided in Section 8.3, Franchisee will notify Franchisor in writing within thirty (30) days following the opening of the Business. Absent the timely delivery of this notice to Franchisor, Franchisee is deemed to conclusively acknowledge that all pre-opening and opening services required to be provided by Franchisor were sufficient, timely, and satisfactory to Franchisee.

8.6 Franchisor is not obligated to perform services set forth in this Agreement to Franchisee's particular level of satisfaction, but as a function of Franchisor's experience, knowledge and judgment. Franchisor does not represent or warrant that any other services will be provided to Franchisee, other than as set forth in this Agreement. If any other services, or any specific level or quality of service is expected, Franchisee must obtain a commitment to provide this service or level of service in writing signed by an authorized officer of Franchisor, otherwise Franchisor will not be obligated to provide any other services or specific level or quality of services.

9. FRANCHISEE'S DUTIES, OBLIGATIONS AND OPERATING STANDARDS

9.1 Franchisee will, consistent with the terms of this Agreement, diligently develop and operate the Business and use its best efforts to market and promote the Services and Products.

9.2 Subject to the terms of this Agreement, including Section 8.3(e), during the Initial Term and any Interim Period, Franchisee will strictly comply with all present and future standards, specifications, processes, procedures, requirements, and instructions of the Franchisor regarding the operation of the Business and must comply with the following requirements:

a. On or before the 90-day anniversary of this Agreement, Franchisee or Franchisee's Designated Business Manager must attend and successfully complete all initial training programs. Franchisee is responsible for airfare, meals, transportation costs, salaries, benefits, lodging and incidental expenses for all initial training program attendees.

b. Before opening the Business, Franchisee must complete the renovations to the Office necessary to comply with Franchisor's standards and specifications; comply with Franchisor's opening procedures for the Office, as set forth in the Operations Manual; and, obtain Franchisor's written approval that Franchisee has complied with the foregoing requirements.

c. Franchisee or a Designated Business Manager must attend mandatory annual conferences at locations the Franchisor may reasonably designate, and Franchisee will pay all salary and other expenses of persons attending, including any conference fees, travel expenses, meals, living expenses and personal expenses.

d. Any additional required Service introduced into the System by the Franchisor must be offered for sale on a continuing basis at the Business at the time and in the manner required by the Franchisor. Franchisor will provide at least thirty (30) days' prior written notice of any new required Service introduced into the System. All equipment, products, supplies, and other items necessary to add the newly required Services must be acquired, installed, and utilized at the time and in the manner required by the

Franchisor. The marketing of new Services must begin at the Business as reasonably required by the Franchisor.

e. No service, except approved Services, may be offered for sale within the Territory, unless Franchisee receives the prior written consent of the Franchisor.

f. Only advertising and promotional materials, services, equipment, tools, inventory, products, signage, supplies, and uniforms that meet the Franchisor's standards and specifications is used at the Business. Advertising and promotional materials, services, equipment, inventory, products, signage, supplies and uniforms produced or approved by Franchisor for use by Franchisee may be used only in the manner and during the period specified by the Franchisor.

g. Equipment, Services, inventory, supplies, signage, uniforms and other items must be added, eliminated, substituted and modified at the Business as soon as possible in accordance with changes in the Franchisor's specifications and requirements.

h. The Business and everything related to the Business must be maintained in good condition and must be kept clean, neat and sanitary. All maintenance, repairs and replacements reasonably requested by the Franchisor or needed in connection with the Business must be promptly made. All employees must be clean and neat in appearance.

i. No alterations of the Business materially affecting the image of the Business may be made except at the Franchisor's request or approval, and any alterations must strictly conform to specifications and requirements established or approved by the Franchisor.

j. The Business and the Services provided by Franchisee must comply with all applicable federal, state, and local laws, ordinances, rules, regulations and other requirements applicable to real estate brokerage and sales laws. Franchisee must obtain all real estate, brokerage, and business licenses and permits required by federal, state and local laws, ordinances, rules and regulations before operating its Business. If Franchisee does not obtain all required permits and licenses necessary to operate it Business within six (6) months after the mutual execution of the Franchise Agreement, Franchisor may terminate this Franchise Agreement.

k. The employees, Agents, equipment, supplies, products, and other items on hand at the Business, must be at all times sufficient to efficiently meet the anticipated volume of business.

l. The payment of all debts and taxes arising in connection with the Business, except those duly contested in a bona fide dispute, must be paid when due.

m. Franchisee will use its best efforts to ensure customer satisfaction; use good faith in all dealings with customers, other real estate agents and brokers, potential customers, referral sources, suppliers and creditors; respond to customer complaints in a courteous, prompt and professional manner; use its best efforts to promptly and fairly resolve customer disputes in a mutually agreeable manner; and take any actions Franchisor deems necessary or appropriate to resolve customer disputes.

n. Franchisee will accept all major credit cards and other the forms of payment specified by Franchisor in the Operations Manual as payment.

o. Franchisee will comply with all terms and pay all fees that may be due in connection with any Software Franchisee is required to use in the operation of its Business as prescribed by the Franchisor.

p. Franchisee will comply with the advertising requirements set out in Section 12.

q. Franchisee will not use any materials that are false or misleading.

r. Franchisee will ensure that all advertising and other materials associated with the Services fully conform to all applicable laws and regulations.

s. Franchisee will conduct its business operations in accordance with all applicable laws and regulations, including but not limited to, real estate brokerage and sales laws and regulations, and consumer protection laws and regulations. Franchisee will control the quality of the Services to avoid quality problems or liability claims that could reflect adversely on Franchisee or Franchisor in the minds of consumers.

t. Franchise will maintain and require its Agents and employees to maintain a high ethical standard in the conduct of Franchisee's Business, and Franchisee will join and remain a member in good standing of any local board of realtors within the Territory and any applicable national association of realtors. In addition, Franchisee must enter into written agreements with all of its Agents that include a fee structure which entitles Franchisee to collect monthly fees, transaction fees, and other fees on all of the Agents' transactions. The fee structure and any changes or modifications to the fee structure must be approved by Franchisor prior to being implemented by Franchisee.

u. Franchisee recognizes and acknowledges the importance of referrals between franchisees of Franchisor and agrees, if lawful and when reasonable and appropriate, to refer requests for real estate services to franchisees of Franchisor operating in territories in which Franchisee does not operate a Business or provide Services.

v. Franchisee will provide each of its Agents with the supervision as a reasonable real estate broker would provide its agents in the proper conduct of its business as a real estate broker.

w. Franchisee will not enter into any exclusive affiliated business relationships with Franchisee Affiliates or third parties to provide services related to the HomeSmart Real Estate Brokerage Business.

9.3 In prescribing standards, specifications, processes, procedures, requirements or instructions under Section 9.2 or any other provision of this Agreement, the Franchisor will provide guidance to Franchisee, as required in Franchisor's sole determination, including but not limited to, determining the fees to be charged by Franchisee for Services. Franchisor will not have control over the day-to-day managerial operations of the Business, and Franchisee is free to establish its own fees and other charges for Services. Notwithstanding Franchisor's right to require Franchisee to conduct its business in accordance with the System, Franchisee and Franchisor recognize that the sale and brokerage of real estate is a profession requiring independent judgment, skill and training and is governed in many particulars by state and federal authorities. Any inconsistency between the System or Franchisor's advice and the dictates of good real estate practice, or any legal requirement of that practice, is inadvertent and not an effort to cause Franchisee to deviate from proper practices. Therefore, Franchisee and Franchisor understand and agree that (i) in all cases, lawful, regulatory requirements take precedence over both any inconsistent advice, counsel or other guidance, whether written or oral, given by Franchisor on any topic and anything inconsistent in the System; (ii) no business advice given by Franchisor nor any part of the System is taken as advice in respect of the practice of the profession of real estate sales and brokerage, as defined by law; (iii) Franchisee's judgment, or the judgment of Franchisee's Designated Business Managers, governs in all matters pertaining to each and every aspect of the professional practice of real estate sales and brokerage; (iv) in any case in which Franchisee believes Franchisor's advice or the System contravene the practice of

the profession of real estate sales and brokerage or any legal requirements of that practice, Franchisee will notify Franchisor, orally and in writing, immediately; and (v) Franchisee and Franchisee's Designated Business Managers are solely responsible for the operation of the Business and the results of that operation.

9.4 Franchisor and Franchisor's representatives will have the right during business hours to inspect the Business and all Offices. Franchisor and Franchisor's representatives will have the right to observe the manner in which Franchisee is rendering its Services and conducting its operations of the Business. Franchisor and Franchisor's representatives will have the right to discuss with Franchisee, or other personnel Franchisee may designate, all matters that may pertain to compliance with this Agreement and with the Franchisor's standards, specifications, requirements, instructions and procedures and the Franchisor may take photographs of Franchisee's completed work as it relates to the Business. Franchisor and Franchisor's representatives will have the right to have any of the Franchisor's required Services rendered by any employee at the Business. Franchisee will fully cooperate with the Franchisor's rights under this Section 9.4; provided, however, that the Franchisor's exercise of these rights will not unreasonably interfere with Franchisee's conduct of the Business.

9.5 Franchisor may require Franchisee's compliance with the provisions of this Section 9 even if it does not require this compliance by all franchisees.

9.6 If Franchisee is an individual, Franchisee must directly supervise the Business. If Franchisee is a corporation or other business entity, or if Franchisee has, in the Franchisor's sole judgment, insufficient experience in a business similar to the franchise or experience in business management in general, then Franchisee will nominate a Designated Business Manager having required experience who will have direct responsibility for all operations of an Office. Any change in a Designated Business Manager will be subject to Franchisor's approval.

9.7 Franchisee and its Agents are required to become a member of local, state and national real estate boards, associations or organizations which in the reasonable opinion of the Franchisor are useful in the operation of the Business. Franchisee will have the option to become a member of all benefit programs which are offered periodically by the Franchisor to all of its Franchisees. The costs of participating in these boards, associations and benefit programs is borne by Franchisee and its employees (if applicable to the employees). Nothing in this Section 9.7 limits Franchisee's freedom to join any franchise or franchisee's association of its choosing.

9.8 Franchisee will at all times have sufficient computer skills to operate Franchisee's computer, understand how to utilize any Software Franchisor requires to be used in the Business, and to access email and the Internet. If Franchisor determines that Franchisee requires additional computer training, Franchisor will notify Franchisee in writing regarding the nature of the additional training required, and Franchisee will have ninety (90) days to complete this training at a local computer training school at Franchisee's sole cost and expense. Franchisor reserves the right to designate the computer training school at which Franchisee must attend (which may be an Affiliate). At the end of the training program, Franchisee will present a certificate reasonably acceptable to Franchisor establishing that Franchisee passed the training course. Franchisee's failure to seek additional training or to pass the course constitutes a default of this Agreement.

9.9 Franchisee acknowledges and understands that computer systems are vulnerable to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders. Franchisor does not guarantee that information or communication systems supplied by Franchisor or its suppliers will not be vulnerable to these problems. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from these problems. Franchisee must also take reasonable steps to

verify that Franchisee's suppliers, lenders, landlords, customers, and governmental agencies on which Franchisee relies, are reasonably protected. This may include taking reasonable steps to secure Franchisee's systems, including, firewalls, access code protection, anti-virus systems, and use of backup systems.

9.10 Franchisee will acquire, maintain, and upgrade Hardware, Software, information processing and communication systems, and Internet and other network access providers, as prescribed in the Operations Manual and as modified periodically by Franchisor. Franchisee will comply with any license agreements that Franchisor or its designees use or require in connection with the System. Franchisee will utilize Franchisor's required Software, proprietary database management, equipment, and intranet system as the exclusive means for tracking and maintaining customer, vendor, and lead information, and for other uses as prescribed by Franchisor periodically in the Operations Manual. Monthly sales and Royalty Fee reporting may occur through mandatory Software including the automatic draft via electronic transfer of Royalty Fees, Required Software License and Support Fees and FMAF funds.

9.11 Franchisee will at all times maintain an active email account and will check the account several times per day. If available, Franchisee will maintain an email account on Franchisor's proprietary database management and intranet system.

9.12 Franchisee may not open an Office until: (1) Franchisor notifies Franchisee in writing that all of Franchisee's obligations have been fulfilled; (2) the initial training program has been completed to Franchisor's satisfaction; (3) the Office has been renovated in accordance with Franchisor's standards and specifications; (4) all amounts due to Franchisor have been paid; (5) Franchisor has been furnished with copies of all insurance policies and certificates required by this Agreement, or other documentation of insurance coverage and payment of premiums that Franchisor may request; (6) Franchisee notifies Franchisor that all approvals and conditions set forth in this Agreement have been met; (7) Franchisee has obtained all necessary real estate brokerage licenses and permits and other applicable permits and licenses; (8) Franchisee has provided Franchisor with a fully signed copy of the Lease for the Office; (9) Franchisee has provided satisfactory evidence to Franchisor that all of Franchisee's Agents are licensed to sell Real Property in the Territory; and (10) Franchisee has ordered, received and installed all equipment, supplies, inventory, tools, products, uniforms and computer Hardware and Software required by Franchisor. Franchisee will begin operating the Business immediately after Franchisor determines that the Business is ready for opening. Franchisee must open the Central Office within six (6) months after signing the Franchise Agreement unless Franchisor otherwise consents in writing.

9.13 Franchisee shall, prior to the opening of its Central Office and continuing throughout the Initial Term and any Interim Period, provide Franchisor with administrative log-in credentials for each MLS that Franchisee or its principals are a member of or for which they are paying Franchisor a MLS/RETS FEED Fee. Franchisee is responsible for the costs and fees associated with securing additional administrative log-in credentials on behalf of Franchisor.

10. PURCHASE OF EQUIPMENT, INVENTORY AND SUPPLIES

10.1 Franchisee must purchase all services, equipment, supplies and Hardware and Software from only those suppliers, manufacturers and distributors who have been designated or approved in advance by Franchisor. The standards and specifications for equipment, computer Hardware and Software, tools, vehicles, signage, supplies, and services required by the Franchisor is maintained in the Operations Manual. The Franchisor has the right to require Franchisee to discontinue purchasing any services, equipment, supplies, Hardware or Software from an approved or Designated Supplier, manufacturer or distributor and may designate new suppliers, manufacturers or distributors at any time.

10.2 Franchisee acknowledges and agrees that the Franchisor may receive from approved and Designated Suppliers of Franchisee's Services, equipment, tools, supplies and Hardware and Software, periodic volume rebates or other revenue as a result of Franchisee's purchases. Franchisee further acknowledges and agrees that the Franchisor is entitled to keep for its own use and account these rebates and this revenue.

10.3 The names and addresses of the Franchisor's approved and Designated Suppliers, manufacturers and distributors is maintained in the Operations Manual. Franchisor reserves the right to approve all of the supplies, Services, equipment, Hardware and Software used in connection with Franchisee's Business.

10.4 Franchisee acknowledges and agrees that certain approved or Designated Suppliers, distributors, and service providers may be Affiliates.

11. MARKS, COPYRIGHTED WORKS AND OWNERSHIP OF IMPROVEMENTS

11.1 Franchisee acknowledges and agrees that:

a. Franchisor is the sole and exclusive owner of all right, title and interest, together with all the goodwill, of the Marks. Franchisee further acknowledges that the Marks designate the origin or sponsorship of the System, the Business, and the Services, and that Franchisor desires to protect the goodwill of the Marks and to preserve and enhance the value of the Marks. In the event that Franchisee acquires any rights, title or interest in the Marks, Franchisee agrees to assign and hereby assigns all rights, title or interest to Franchisor.

b. All right, title and interest in and to all materials, including but not limited to, all artwork and designs, created by Franchisor, and used with the Marks or in association with the Business ("**Copyrighted Materials**") are the sole and exclusive property of the Franchisor. Additionally, all Copyrighted Materials created by Franchisee or any other person or entity retained or employed by Franchisee are works made for hire within the meaning of the United States Copyright Act and are the sole and exclusive property of the Franchisor, who is entitled to use and license others to use the Copyrighted Materials unencumbered by moral rights. If the Copyrighted Materials are not works made for hire or rights in the Copyrighted Materials do not automatically accrue to the Franchisor, Franchisee irrevocably assigns and agrees to assign to the Franchisor, its successors and assigns, the entire right, title, and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in these Copyrighted Materials, which Franchisee and the author of these Copyrighted Materials warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Copyrighted Materials from another person or entity necessary to ensure Franchisor's right in the Copyrighted Materials as required in this Section 11.1(b).

c. Franchisee will never dispute, contest, or challenge, directly or indirectly, the validity or enforceability of the Marks or Copyrighted Materials or Franchisor's ownership of the Marks or Copyrighted Materials, nor counsel, procure, or assist anyone else to do the same, nor will it take any action that is inconsistent with Franchisor's ownership of the Marks or Copyrighted Materials, nor will it represent that it has any right, title, or interest in the Marks or Copyrighted Materials other than those expressly granted by this Agreement.

d. Franchisor reserves the right to decide to apply to register or to register any trademarks or copyrights with respect to the Services, Products and any other products and services and the Copyrighted Materials. Failure of Franchisor to obtain or maintain in effect any of these applications or registrations is not a breach of this Agreement. Franchisee will not, before or after termination or expiration

of the Agreement, register or apply to register any of the Marks or any trademark, service mark or logo confusingly similar or any Copyrighted Materials, anywhere in the world.

e. Upon Franchisor's request, Franchisee will cooperate fully, both before and after termination or expiration of this Agreement, in confirming, perfecting, preserving, and enforcing Franchisor's rights in the Marks and Copyrighted Materials, including but not limited to, executing and delivering to Franchisor documents Franchisor reasonably requests for any purpose, including but not limited to, assignments, powers of attorney, and copies of commercial documents showing sale and advertising of the Services and Products and other products and services. Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact for the purpose of executing these documents.

f. All usage of the Marks by Franchisee and any goodwill established by Franchisee's use of the Marks will inure to the exclusive benefit of Franchisor. This Agreement does not confer any goodwill or other interests in the Marks to Franchisee upon expiration or termination of the Agreement.

g. FRANCHISOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY OR ENFORCEABILITY OF THE MARKS OR COPYRIGHTED MATERIALS.

11.2 Franchisee acknowledges and agrees that:

a. Franchisee's right to use the Marks and Copyrighted Materials are derived solely from this Agreement. Franchisee may only use the Marks and Copyrighted Materials in its operation of the Business and only incompliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by Franchisor in the Operations Manual and elsewhere periodically during the Initial Term and any Interim Period. Franchisee will make every effort consistent to protect, maintain, and promote the Marks as identifying the System and only the System.

b. Any unauthorized use of the Marks or Copyrighted Materials by Franchisee constitutes a breach of this Agreement and an infringement of the rights of Franchisor and in and to the Marks and Copyrighted Materials.

c. Franchisee will not use any Marks or portion of any Marks as part of a corporate or trade name, or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. Franchisee will obtain any fictitious or assumed name registrations as may be required by Franchisor or under applicable law.

d. To preserve the validity and integrity of the Marks and Copyrighted Materials licensed herein and to assure that Franchisee is properly employing the same in the operation of its Business, Franchisor or its agents will have the right of entry and inspection of Franchisee's Business and operating procedures pursuant to Section 9.4.

e. Franchisee will safeguard and maintain the reputation and prestige of the System, Marks and Copyrighted Materials and will not do anything that would tarnish the image of or adversely affect the value, reputation or goodwill associated with the Marks. Franchisee will not do anything that would dilute, directly or indirectly, the value of the goodwill attached to the Marks, nor counsel, procure or assist anyone else to do the same.

f. Franchisee will use the Marks and Copyrighted Materials only in lettering, logos, print styles, forms, and formats, including but not limited to, advertising and promotional materials, invoices, signage, business checks, business cards, invoices, stationery, and promotional items such as

clothing, pens, mugs, etc., which have been approved by Franchisor in accordance with this Agreement, and promptly follow instructions regarding the Marks and Copyrighted Materials as provided in the Operations Manual and otherwise given by Franchisor periodically.

g. Franchisee will use the following copyright notice at least once on each piece of advertising, promotional, or other material used in connection with the Products and Services:

© (year of first publication). HomeSmart International, LLC. All Rights Reserved.

h. Franchisee will use the Marks with a superscript "®" or "™", as specified by Franchisor, unless and until advised by Franchisor to use a different notice.

11.3 Franchisee acknowledges and agrees that:

a. If, in Franchisor's reasonable determination, the use of Marks or Copyrighted Materials in connection with the Services, other products and services or the Business will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's rights in the Marks or Copyrighted Materials, or it otherwise becomes advisable at any time for Franchisor to modify or discontinue of the Marks or Copyrighted Materials then, upon notice from Franchisor, Franchisee will immediately terminate or modify this use in the manner prescribed by Franchisor. Franchisor may require Franchisee to use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols or copyrighted materials. Franchisee will have no rights of damages, offset, or right to terminate this Agreement as a result thereof and Franchisor will have no liability or obligation whatsoever with respect to Franchisee's modification or discontinuance of any Marks or Copyrighted Materials.

b. Franchisee will notify Franchisor within three (3) days after receiving notice of any claim, demand or cause of action based upon or arising from any attempt by any other person, firm or corporation to use the Marks or any colorable imitation thereof or the Copyrighted Materials. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Marks or Copyrighted Materials, Franchisor will have the sole right, but not the duty, to defend any action. Franchisor will have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Marks or Copyrighted Materials. Franchisor will control all actions but not be obligated to take any action. In any defense or prosecution of any litigation relating to the Marks, Copyrighted Materials or components of the System undertaken by Franchisor, Franchisee will cooperate with Franchisor, execute any and all documents, and take all actions as may be desirable or necessary in the opinion of Franchisor's counsel, to carry out this defense or prosecution. At Franchisor's option, Franchisee will join in any action. If Franchisee joins in an action, then the recovery, if any, from this legal action is first applied to the total expenses associated therewith and the remainder going to the Franchisor.

11.4 All provisions of this Agreement applicable to the Marks and Copyrighted Materials apply to any and all additional trademarks, service marks, commercial symbols and copyrighted materials authorized for use by and licensed to Franchisee by Franchisor after the date of this Agreement.

11.5 If Franchisee during the Initial Term of the franchise relationship or any Interim Period or any Successor Term conceives or develops any improvements or additions to the System, Copyrighted Materials, website or any other documents or information pertaining to or relating to the System or the Business, or any new trade names, trade and service marks, logos, or commercial symbols related to the Business or any advertising and promotional ideas or inventions related to the Business (collectively, the "**Improvements**") Franchisee will fully disclose the Improvements to Franchisor, without disclosure of the Improvements to others, and will obtain Franchisor's written approval before using these Improvements. Any of these Improvements may be used by Franchisor and all other franchisees without any obligation to

Franchisee for royalties or other fees. Franchisee will assign and does hereby assign to Franchisor, all right, title and interest in and to the Improvements, including the right to grant sublicenses to any of these Improvements. Franchisor reserves the right to make application for and own copyrights, patents, trade names, trademarks and service marks relating to any of these Improvements and Franchisee will cooperate with Franchisor in securing these rights. Franchisor may also consider these Improvements as the property and Trade Secrets of Franchisor. In return, Franchisor may authorize Franchisee to utilize any Improvement that may be developed by other franchisees and is authorized generally for use by other franchisees.

a. Neither Franchisee nor its Designated Business Managers or Agents will attempt to register a top-level or second level domain name that contains any portion of the Marks without the prior written approval of Franchisor and subject to any conditions Franchisor may request.

12. ADVERTISING AND PROMOTION

12.1 Marketing Fees and Materials.

a. Franchisee agrees to pay to Franchisor continuing marketing fees ("**Marketing Fees**") as set forth in **Attachment 1** throughout the Initial Term and any Interim Periods of the Franchise Agreement. Franchisee shall pay Marketing Fees at the time and in the manner prescribed in Sections 6.6 and 6.7. Franchisor reserves the right to decrease the Marketing Fees and to increase the Marketing Fees to a maximum of 1.5% of Gross Commission Income by sending written notice to Franchisee. Any change in the Marketing Fees will be effective as of the first day of the month that is at least ninety (90) days after delivery of the notice of change to Franchisee. The Marketing Fees will be posted to the Franchise Marketing Accrual Fund ("**FMAF**"). The FMAF is accounted for separately by Franchisor, but the FMAF funds will not be maintained in a separate or segregated account at a bank or other financial institution.

b. Franchisor will use the FMAF fees it collects from franchisees (i) to create marketing materials relating to the System, (ii) to pay for public relations projects intended to enhance the goodwill and public image of the System, (iii) to assist franchisees in developing local marketing programs in their respective Territories; (iv) to pay for the cost of placing marketing materials in various print, broadcast and Internet media; (v) to undertake any other marketing efforts as Franchisor deems necessary or beneficial to the System as determined by Franchisor; and, (vi) to reimburse Franchisor (based on reasonable allocations calculated by Franchisor's management) for (a) salaries and other overhead expenses that are directly related to projects of a character described in clauses (i), (ii), (iii) and (iv), including the payment of a salary to a field marketing manager, and (b) for part of the cost of maintaining Franchisor's website, as authorized in Section 12.4. Franchisor will use the FMAF in a manner that is reasonably designed to provide some level of marketing benefits to all Franchisees. However, Franchisor reserves the right to allocate the FMAF funds to various permitted uses as it sees fit and does not guarantee that all Franchisees will receive equal benefits or identical coverage.

c. If the FMAF operates at a deficit or requires additional funds at any time, Franchisor may loan funds to the FMAF in amounts and on the terms, including repayment terms, Franchisor deems necessary or advisable.

d. Franchisor will furnish Franchisee upon request one slick, master or other "**suitable for reproduction**" sample of all newspaper inserts, direct mail flyers, television and radio commercials, and other marketing materials that Franchisor creates and approves for system-wide use. Franchisee must pay to reproduce and use these materials in Franchisee's Local Advertising campaigns.

e. Franchisor will use commercially reasonable efforts to spend FMAF contributions in a manner that provides advertising benefits to all participating Real Estate Brokerage Businesses.

However, Franchisor does not guarantee that all participants will receive identical media exposure or advertising benefits in view of regional differences in media costs, varying degrees of market penetration in different DMAs, and other relevant factors.

12.2 Local Advertising.

a. Franchisee agrees to spend money for Local Advertising and promotions in the Territory in accordance with local real estate brokerage marketing standards and practices.

b. Franchisee will also pay its pro rata share of the cost of classified directory listings to be placed by Franchisor on behalf of all Real Estate Brokerage Businesses in Franchisee's market. If Franchisee operates the only Real Estate Brokerage Business in the market, Franchisee is responsible for full payment of the classified directory advertisement.

c. Franchisee agrees to participate in all system-wide promotions and advertising campaigns that Franchisor requires. Except for Franchisee's commitments to participate in system-wide promotions and advertising campaigns and to pay its share of the cost of a classified directory advertisement, Franchisee will initially have discretion over the approach Franchisee takes to Local Advertising and promotions. This discretion will continue until an Area Cooperative is established in Franchisee's Designated Market Area ("**DMA**"), as defined by Neilson Rating Service. Franchisor reserves the right to approve in advance the use by Franchisee of any graphic or electronic materials or commercials developed by Franchisee that feature any of the Marks.

d. Franchisee may, at its sole expense, plan and carry out a grand opening promotion relating to the opening of the Business.

e. All advertising and promotion by Franchisee will be conducted in a dignified manner and will conform to the standards and requirements set forth in this Agreement and the Operations Manual or otherwise for use of the Marks. Franchisee will promptly discontinue use of any advertising or promotional plans or materials that do not meet the requirements of this Agreement or the Operations Manual, whether or not previously approved, upon notice from Franchisor.

f. Within thirty (30) days after written request from Franchisor, Franchisee will submit a report to Franchisor showing the amount Franchisee spent for Local Advertising and promotions during the preceding year and documents substantiating that Franchisee incurred and paid particular expenditures during the year.

12.3 Area Cooperatives.

a. At the time the DMA in which the Real Estate Brokerage Business is located encompasses Real Estate Brokerage Businesses operated by at least two owners, the owners in the DMA will, at Franchisor's request and with its advice and assistance, form a cooperative advertising association among themselves ("**Area Cooperative**") for the purpose of jointly advertising and promoting their Businesses.

b. If, in connection with an Area Cooperative's formation or functioning, its members are unable to reach agreement with respect to any disagreement over organization, administration, "**spill**" policy, contribution waivers or exceptions, budget or other matters that the members cannot resolve within 45 days, the issue will be referred to Franchisor for resolution. Franchisor's decision with respect to the issue's resolution will be binding on all members of the Area Cooperative. In addition, Franchisor reserves

the right to review each Area Cooperative's contribution rate on an annual basis and to disapprove a rate of less than 1% of Gross Commission Income.

c. Franchisee agrees (i) to join, participate in, and actively support any Area Cooperative established in the Real Estate Brokerage Business's DMA, and (ii) to make contributions to each Area Cooperative on the payment schedule adopted by the Area Cooperative's members and at the contribution rate Franchisor approves.

d. Franchisor will have the sole right to form, change, dissolve or merge any Area Cooperative.

12.4 Website.

a. Franchisor has established a website that provides information about the System and the services that Real Estate Brokerage Businesses offer. Franchisor will have sole control over the website's design and contents, except that the site will contain the pages that Section 12.5 describes. Franchisor may use part of the Marketing Fees it collects under Section 12.1 and part of the FMAF's revenues to pay or reimburse itself for the costs of maintaining and updating the website, except that Franchisor may not use FMAF revenues to pay for those components of the website that are devoted to publicizing the HomeSmart franchise program or the sale of HomeSmart franchises.

12.5 The website will include a section that provides the address, telephone number and e-mail address of each Real Estate Brokerage Business in the HomeSmart chain, including Franchisee's Real Estate Brokerage Business. At Franchisee's request, Franchisor will also include at the website an interior page devoted to information about Franchisee's Real Estate Brokerage Business. The page must be developed by Franchisee, at Franchisee's expense, with a template that Franchisor provides and will be subject to Franchisor's approval before posting as to form, content and programming quality. The page will also be subject to Franchisor's policies regarding linking with and framing other websites, the use of so-called metatags and ghost script, and other aspects of electronic advertising and communication.

12.6 The HomeSmart+ Plan.

a. You may, but are not obligated to participate in the HomeSmart+ Plan (the "HomeSmart+ Plan"). If you participate in the HomeSmart+ Plan, you will employ an 80/20 commission split with all participating agents. Upon your receipt of your 20% of the commission, you will retain the greater of 1/4 of the commission or $500 and deliver the remainder of the commission to HomeSmart. We will deposit 2/3 of the amount you pay to us into the HomeSmart+ Plan account and retain 1/3. The HomeSmart+ Plan account will make payments to accounts owned by Franchisee but controlled by SRN, LLC for payment of bonuses, referral fees, and other payouts to participating agents. Fees payable under the HomeSmart+ Plan are in addition and not in lieu of other fees set forth in Section 6.

b. The method of determining sponsor distribution share, the standards for determining a sponsor's eligibility and vesting rights to share in sponsor distribution share, and the procedures for resolving questions and disputes regarding sponsorships and Agent downline structures are described in the Operations Manual.

c. HomeSmart shall have no responsibility or liability to any Person arising out of or in connection with the administration of the HomeSmart+ Plan account other than (1) determining the sponsor distribution share earned by recruiting sponsors based on the standards stated in the Operations Manual and relying upon data furnished to it by Franchisee and other franchisees operating under the System, (2) distributing such sponsor distribution share, to the extent that funds are available in the

HomeSmart+ Plan account, to recruiting sponsors on a monthly basis or as soon thereafter as is practicable following receipt of all data, and (3) providing to Franchisee and other franchisees monthly reports of HomeSmart+ Plan contributions received and sponsor distribution share paid in a form designated and approved by Franchisor, within a reasonable period of time. Funds held in the HomeSmart+ Plan account are general assets of Company and subject to claims of its creditors.

d. Franchisee shall require each of its participating Agents to execute an addendum to such Agent's independent contractor agreement that includes all terms, rights, obligations, and remedies required by HomeSmart to be included in the independent contractor agreement as a condition to such Agent's participation;

e. In the event that Franchisee fails to timely pay a HomeSmart+ Plan contribution, HomeSmart may assess a Late Fee, payable to HomeSmart+ Plan account, of up to 5% of the unpaid amount for each month that it fails to pay its HomeSmart+ Plan contribution to HomeSmart.

f. In its administration of the HomeSmart+ Plan Account, HomeSmart shall have the authority and discretion to adopt guidelines and policies ("**HomeSmart+ Plan Guidelines**") to determine HomeSmart+ Plan contributions, sponsor distribution share, and to make adjustments and set-offs as necessary to correct any errors or to reflect adjustments necessary in the case of unpaid contributions. HomeSmart may amend, update, and modify, the HomeSmart+ Plan Guidelines at any time. Franchisee agrees to take any actions reasonably necessary to assist HomeSmart in order to correct any overpayment of HomeSmart+ Plan contributions made to a sponsor who is an Agent of Franchisee, including deducting the amount of such overpayment from subsequent Agent commission earned by such sponsor and paying HomeSmart the amounts so deducted.

13. INSURANCE AND INDEMNITY

13.1 Franchisee and, with respect to automobile coverage, Franchisee's Agents, will upon commencement of the Initial Term, purchase and at all times maintain in full force and effect:

a. Insurance policies, in the amounts and on the terms prescribed by the Operations Manual, issued by an insurance company acceptable to Franchisor at all times during the Initial Term of this Agreement and any Interim Period. Insurance coverage must include, but is not limited to, comprehensive general liability, combined single limit, automobile (including automobile coverage for Franchisee and Franchisee's Agents and other sales and marketing personnel who may have customers riding in the automobiles of these persons), bodily injury and all-risk property damage insurance, errors and omissions, business interruption and all other occurrences against claims of any person, employee, customer, agent or otherwise in an amount per occurrence of not less than the amount set forth in the Operations Manual and adjusted by Franchisor periodically, unemployment and workers compensation insurance and any other additional insurance required by the terms of any Lease or lender for the Business. Insurance policies must insure Franchisee, Franchisor, Franchisor's Affiliates, and Franchisor's and Franchisor Affiliates' respective officers, directors, shareholders, members and all other parties designated by Franchisor, as additional named insureds against any liability which may accrue against them because of the ownership, maintenance or operation by Franchisee of the Business. The policies must also stipulate that Franchisor will receive thirty (30) day prior written notice of cancellation and must contain endorsements by the insurance companies waiving all rights of subrogation against Franchisor. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to Franchisor, including original endorsements effecting the coverage required by this Section, is furnished to Franchisor together with proof of payment within ten (10) days of issuance thereof. Franchisee will also furnish Franchisor with certificates and endorsements evidencing this insurance coverage within 10-days after each of the following events: (i) at all policy renewal periods, no less often than annually, and (ii) at

all instances of any change to, addition to, or replacement of any insurance. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are subject to approval by Franchisor. Franchisor reserves the right to require complete, certified copies of all required insurance policies at any time. In the event Franchisee fails to obtain the required insurance and to keep the same in full force and effect, Franchisor may, but is not obligated to, purchase insurance on Franchisee's behalf from an insurance carrier of Franchisor's choice, and Franchisee will reimburse Franchisor for the full cost of this insurance, along with a reasonable service charge to compensate Franchisor for the time and effort expended to secure this insurance, within five (5) days of the date Franchisor delivers an invoice detailing these costs and expenses to Franchisee. Notwithstanding the foregoing, failure of Franchisee to obtain insurance constitutes a material breach of this Agreement entitling Franchisor to terminate this Agreement or exercise any or a combination of the other default remedies set forth in Section 18 of this Agreement. Franchisee will also procure and pay for all other insurance required by state or federal law. Franchisor reserves the right to modify minimum insurance requirements at any time by updating the Operations Manual.

b. All liability insurance policies procured and maintained by Franchisee and Agents in connection with the Business will require the insurance company to provide and pay for attorneys to defend any legal actions, lawsuits or claims brought against Franchisee, Franchisor, Franchisor's Affiliates and their respective officers, directors, agents, employees, and all other entities or individuals designated by the Franchisor as additional insureds.

13.2 Franchisee will, during the Initial Term and any Interim Period and after the termination or expiration of the Franchise Agreement, indemnify the Franchisor, its Affiliates and their respective officers, owners, directors and employees, and hold them harmless against all claims, demands, losses, damages (including punitive damages), costs, suits, judgments, penalties, expenses (including reasonable attorneys' fees and amounts paid in settlement or compromise) and liabilities of any kind, whether or not ultimately determined to be meritorious (and including damages suffered by Franchisee or any of its property) (collectively, "**Damages**") for which they are held liable, or which they incur (including travel, investigation and living expenses of employees and witness fees) in any litigation or proceeding as a result of or arising out of:

a. a breach of this Agreement, or any other agreement between the parties, or any breach of a Lease or other instrument by which the right to occupy an Office or any other premises used by Franchisee to operate the Business is held, by Franchisee;

b. any injury to or loss of property of any person in, or on, an Office or any other premises used by Franchisee to operate the Business, or in or on any Real Property shown to a customer by Franchisee or its Agents or employees, or in an automobile of those persons;

c. Franchisee's taxes, liabilities, costs or expenses of its Business;

d. any negligent or willful act or omission of Franchisee, its employees or Agents, agents, servants, contractors or others for whom it is, in law, responsible; and

e. any advertising or promotional material distributed, broadcasted, or in any way disseminated by Franchisee or on its behalf unless this material has been produced, or approved in writing, by the Franchisor

14. RELATIONSHIP

14.1 Franchisee acknowledges that it is an independent contractor and is not an agent, partner, joint venturer or employee of the Franchisor and no training or supervision given by, or assistance from, the Franchisor is deemed to negate this independence. Neither party is liable or responsible for the other's debts or obligations, nor will either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement. The Franchisor and Franchisee agree that no partnership, fiduciary relationship, joint venture or employment relationship exists between them. Franchisee will conspicuously identify itself in all dealings with the public as a sole operator that is an entity separate from the Franchisor and state that the Franchisor has no liability for the Business being conducted from the Business location. It is expressly agreed that the parties intend by this Agreement to establish between the Franchisor and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in the Franchisor's name or on behalf of the Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of the Franchisor for any purpose whatsoever. Franchisee agrees that it will not hold itself out as the agent, employee, partner or co-venturer of the Franchisor. All Agents and employees hired by or working for Franchisee is the Agent or employees of Franchisee and will not, for any purpose, be deemed Agents or employees of the Franchisor or subject to the Franchisor control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party of and from any liability of any nature whatsoever by virtue thereof.

14.2 Neither party will make any agreements, representations or warranties (except by the Franchisor in advertising as provided herein) in the name of, or an behalf of, the other party; neither party is obligated by, nor have any liability for, any agreements, representations or warranties made by the other (except by the Franchisor in advertising as provided herein) nor will the Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of Franchisee's Business, whether caused by Franchisee's or its Agents' negligent or willful action or failure to act.

14.3 The Franchisor will have no liability for Franchisee's obligations to pay any third parties, including without limitation, any product vendors, or any value added, sales, use, service, occupation, excise, gross revenue, Gross Commission Income, income, property or other tax levied upon Franchisee, Franchisee's property, the Business or upon the Franchisor in connection with the sales made or business conducted by Franchisee (except any taxes the Franchisor is required by law to collect from Franchisee with respect to purchases from the Franchisor).

15. RESTRICTIVE COVENANTS

15.1 Franchisee acknowledges and agrees that:

a. Franchisee's knowledge of the operation of the Business, the System, and the concepts and methods of promotion of the Business hereunder that it has now or obtains in the future is derived from Franchisor's Confidential Information and Trade Secrets. Franchisee further acknowledges and agrees that all of the Confidential Information and Trade Secrets are the sole property of the Franchisor, represent valuable assets of the Franchisor and that the Franchisor has the right to use the Confidential Information and Trade Secrets in any manner it wishes at any time.

b. During the Initial Term and any Interim Period, Franchisee, and Franchisees' owners, Designated Business Managers, Agents, and employees who have access to the Confidential Information and Trade Secrets agree that they: (1) will not use the Confidential Information or Trade Secrets in any other business or capacity or for their own benefit; (2) will maintain the absolute confidentiality of the Confidential Information and Trade Secrets; (3) will not make unauthorized copies of any portion of the Confidential Information and Trade Secrets; and (4) will adopt and implement all reasonable procedures

the Franchisor periodically requires to prevent unauthorized use or disclosure of the Confidential Information and Trade Secrets including requiring employees, Designated Business Managers, training class attendees, and Franchisee owners who have access to the Confidential Information and Trade Secrets to execute nondisclosure and non-competition agreements as the Franchisor may require periodically, and provide the Franchisor, at the Franchisor's request, with signed copies of each of those agreements. Franchisor will be named as a third party beneficiary on these nondisclosure and non-competition agreements.

c. After the Agreement expires or is terminated, Franchisee, and Franchisees' owners, Designated Business Managers, Agents and employees who have access to the Confidential Information and Trade Secrets agree that for a period of five (5) years after the termination or expiration of the Agreement (unless this information is a Trade Secret in which case the requirements in this Section 15.1(c) will remain in place while this information constitutes a Trade Secret) they: (1) will not use the Confidential Information or Trade Secrets in any other business or capacity or for their own benefit; (2) will maintain the absolute confidentiality of the Confidential Information and Trade Secrets; (3) will not make unauthorized copies of any portion of the Confidential Information or Trade Secrets; and (4) will adopt and implement all reasonable procedures the Franchisor periodically requires to prevent unauthorized use or disclosure of the Confidential Information and Trade Secrets including requiring written non-disclosure and non-competition agreements for those individuals as the Franchisor may require and provide the Franchisor, at the Franchisor's request, with signed copies of each of those agreements. Franchisor will be named as a third party beneficiary on these nondisclosure and non-competition agreements.

d. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) Confidential Information in the public domain after it was communicated to Franchisee through no fault of Franchisee, its owners, Designated Business Managers, Agents or employees; (b) Confidential Information in Franchisee's possession free of any obligation of confidence at the time it was communicated to Franchisee; or (c) the disclosure of the Confidential Information in judicial or administrative proceedings if Franchisee is legally compelled to disclose the information, if Franchisee has notified the Franchisor before disclosure and used Franchisee's best efforts, and afforded the Franchisor the opportunity to obtain an appropriate protective order or other assurance satisfactory to the Franchisor of confidential treatment for the information required to be so disclosed.

15.2 Franchisee covenants and agrees that during the Initial Term of this Agreement and any Interim Period thereof, Franchisee, its owners and Designated Business Managers will not, without the prior written consent of the Franchisor, either individually or in a partnership, corporation, limited liability company, joint venture or other business entity or jointly or in conjunction with any person, firm, association, syndicate or corporation, as principal, agent, shareholder, member, partner or in any manner whatsoever, carry on or be engaged in or be concerned with or interested in or advise, lend money to, guarantee the debts or obligations of or permit its name or any part thereof to be used or employed in any business operating in competition with a residential or commercial real estate brokerage business or any business similar to the Business ("**Competitive Business**") as carried on periodically during the Initial Term of this Agreement, including any Interim Period thereof.

15.3 The parties have attempted in Section 15.2 above to limit Franchisee's right to compete only if necessary to protect the Franchisor from unfair competition. The parties hereby expressly agree that if the scope of enforceability of the provision of Section 15.2 is disputed at any time by Franchisee, a court or arbitrator, as the case may be, may modify Section 15.2 if it deems necessary to make the provision enforceable under applicable law. In addition, the Franchisor reserves the right to reduce the scope of said provision without Franchisee's consent, at any time or times, effective immediately upon notice to Franchisee. Franchisee expressly acknowledges that it possesses skills and abilities of a general nature and

has other opportunities to exploit these skills. Consequently, enforcement of the covenants set forth above will not deprive Franchisee of the ability to earn a living.

15.4 Nothing in this Section 15 will prevent any active officer of Franchisee or member of Franchisee's family, either individually or collectively, from owning not more than a total of 5% of the stock of any company which is subject to the reporting requirements of the U.S. Securities and Exchange Act of 1934, provided that Franchisee is otherwise not actively involved in the management or operation of that business and does not serve that business in any capacity other than as a shareholder.

15.5 Franchisor must be protected against the potential for unfair competition by Franchisee's use of Franchisor's training, assistance, Confidential Information and Trade Secrets in direct competition with Franchisor. Franchisee further acknowledges that Franchisor would not have entered into this Agreement or shared the Confidential Information, Trade Secrets and other information with Franchisee absent Franchisee's agreement to strictly comply with the provisions of this Section 15. Franchisee acknowledges that as a franchisee of Franchisor, it will have access to the Franchisor's Trade Secrets and Confidential Information and therefore be in a unique position to use the special knowledge gained as a franchisee. Franchisee acknowledges that a breach of the covenants contained in this Section 15 will be deemed to threaten immediate and substantial irreparable injury to the Franchisor. Accordingly, Franchisee agrees that the Franchisor will have the right, without prior notice to Franchisee, to obtain immediate injunctive relief for breach of this Section 15 without limiting any other rights or remedies and without posting a bond.

15.6 In the event that Franchisee is not an individual, this Section 15 will also apply to the officers, directors, stockholders, partners, owners, members, trustees, beneficiaries and/or principals of Franchisee, Franchisee, and any persons controlled by, controlling or under common control with Franchisee.

16. ASSIGNMENT

16.1 Franchisee acknowledges that the Franchisor's obligations under this Agreement are not personal. Franchisor will have the absolute right to unconditionally transfer or assign this Agreement or any of its rights or obligation under this Agreement to any person, corporation or other party.

16.2 Franchisor reserves the right to assign the System to anyone, including the operator of a competing franchise system. Franchisee acknowledges and agrees that the Franchisor may sell its assets, the Marks or the System to any third party of the Franchisor's choice; may offer its securities privately or publicly; may merge with or acquire other corporations or be acquired by another corporation; may undertake a refinancing, recapitalization, leverage buyout, or other economic or financial restructuring; or may terminate or cease to exist or dissolve, in any case without Franchisee's consent, and Franchisee will look only to the transferee to perform the Franchisor's obligations in all material respects, and Franchisor is free of any responsibility or liability whatsoever to Franchisee after the transaction occurs.

16.3 With regard to any of the above sales, assignment and dispositions, Franchisee expressly and specifically waives any claims, demands, or damages against the Franchisor arising from or related to the transfer of the Marks, assets or the System from the Franchisor to any other party.

16.4 Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee. Accordingly, this Agreement, Franchisee's rights and interests hereunder, the property and assets owned and used by Franchisee in connection with the Business, and any shares, stock, membership or interest in any corporation, limited liability company, or other entity having an interest in the Business, will not be voluntarily or involuntarily, directly or indirectly, sold, pledged,

assigned, transferred, shared, subdivided, sub-franchised, encumbered or transferred in any way (including, without limitation, in the event of the death of Franchisee if Franchisee is an individual), in whole or in part, in any manner whatsoever without the prior written approval of the Franchisor and compliance with all terms of this Section 16. Any unauthorized sale, assignment, transfer or other conveyance, by operation of law or otherwise, or any attempt to do so, is deemed void and grounds for termination of this Agreement by the Franchisor.

16.5 Franchisee understands and acknowledges that transferee will be required to execute Franchisor's then current franchise agreement which may contain provisions substantially different from those contained herein, including a higher royalty and greater expenditures for advertising and promotion than are provided hereunder (and any other documents then customarily used by the Franchisor to grant franchises), all other documents as may be reasonably requested by the Franchisor.

16.6 With and after each valid assignment of this Agreement pursuant to this Section 16, the assignee or assignees of Franchisee is deemed to be Franchisee under this Agreement and will be bound by and liable for all of Franchisee's existing and future obligations. No stockholder in any corporation, member in any limited liability company or partner in any partnership that becomes Franchisee will have any rights under this Agreement because of his, her, or its stock ownership, membership interest or partnership interest.

16.7 If Franchisee, at any time determines to sell, in whole or in part, the Business, Franchisee will obtain a bona fide, signed, written offer ("**Purchase Offer**") for the Business together with all real or personal property, leasehold improvements and other assets used by Franchisee in its Business from a responsible, arms' length, and fully disclosed purchaser and will submit an exact copy of this Purchase Offer to the Franchisor. Franchisor will have a right of first refusal to purchase the Business as provided in Section 17.

16.8 No transfer or assignment of this Agreement will be approved by the Franchisor or be effective unless and until all the following conditions are satisfied:

a. Franchisee being then in full compliance herewith and having paid to the Franchisor all outstanding debts or amounts owing to the Franchisor before the transfer;

b. The transferee executes Franchisor's then current franchise agreement, provided that the term of the transferee's franchise agreement will be the term remaining on the transferor's franchise agreement;

c. Franchisee pays to the Franchisor a transfer fee in the amount set forth in **Attachment 1** (the "**Transfer Fee**");

d. Franchisee's execution of a general release of the Franchisor, including its officers, directors, agents, employees, and Affiliates from the parties' obligations under the Agreement;

e. The transferee purchasing all of Franchisee's assets used in the Business in accordance with all applicable bulk sales legislation and assuming all of the liabilities of the Business unless these liabilities have been paid before the closing of the transaction of purchase and sale or unless the sale is a sale of shares in the capital stock or membership interest of Franchisee;

f. The transferee is an individual, corporation, limited liability company, partnership, or other business entity having adequate financial resources and who meets all criteria established by the Franchisor for franchisees. The transferee will also complete, at its expense, the Franchisor's then current

training program established by the Franchisor for franchisees before the transfer unless: (i) the transferee is a current franchisee in good standing in the System, or (ii) the transferee is or has been a Designated Business Manager for a period of one (1) year or more of a Business in good standing;

g. The parties to the proposed transaction will have entered into a binding agreement subject only to the rights of the Franchisor set out in Section 17. Franchisor is furnished a copy of this binding agreement, and this agreement is subject to the Franchisor's approval in writing. Franchisee must advise each prospective transferee of this provision and the other terms of this Agreement;

h. The proposed transferee or the stockholders, partners, members or owners of a beneficial interest in a proposed corporation, partnership, limited liability company or other entity transferee, providing jointly and severally those personal guarantees which the Franchisor may request, guaranteeing the proposed transferee's performance of its obligations under the agreements to be entered into;

i. The proposed transferee will have demonstrated to the Franchisor's satisfaction that it, he or she will meet in all respects the Franchisor's standards applicable to new franchisees regarding experience, personal and financial reputation and stability, willingness and ability to devote its, his or her full time and best efforts to the operation of the Business, and any other conditions as the Franchisor may reasonably apply in evaluating new franchisees. Franchisor must be provided all information about the proposed transferee as the Franchisor may reasonably require. Because of the Confidential Information and Trade Secrets available to a franchisee, no assignment to a competitor of the Franchisor will be permitted; and

j. The transferee paying all costs of: (i) the Franchisor with respect to the granting of its approval, as hereinbefore contemplated, including but not limited to all of its legal costs with respect to the preparation and execution of the above noted Franchise Agreement, and all other documents then customarily used by the Franchisor to grant franchises; and (ii) the transfer, including but not limited to all professional fees (attorney's fees, broker fees, and the like), leasing expenses, document preparation costs and due diligence.

16.9 Notwithstanding anything to the contrary herein contained, if Franchisee is an individual, the Franchisor will, upon Franchisee's compliance with any requirements as may periodically be prescribed by the Franchisor (including the obtaining of all necessary approvals to the assignment of leases, if any, of Franchisee's Office(s)), consent to an assignment of Franchisee's right, title and interest in and to this Agreement, and the property and assets owned and used by Franchisee in connection therewith and any other agreement then in effect between Franchisee and the Franchisor to a corporation, limited liability company or other business entity which is wholly owned and controlled by Franchisee, subject to the following (provided that this assignment will in no way release Franchisee from any liability under this Agreement):

a. Contemporaneously with this assignment and upon the appointment or election of any person as director, officer, partner or manager of the corporation, limited liability company or other business entity, the corporation, limited liability company, partnership or other business entity will cause each shareholder, partner, member, manager, director(s) and officer(s) of the corporation, limited liability company, partnership or other business entity to execute a written agreement with the Franchisor under seal, personally guaranteeing full payment and performance of Franchisee's obligations to the Franchisor and individually undertaking to be bound, jointly and severally, by all the terms of this Agreement or any new current form of Franchise Agreement and jointly and severally liable;

b. No shares or interest in the capital of the corporation, limited liability company, partnership or other business entity is issued nor will Franchisee directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, convey, donate, pledge, mortgage or otherwise encumber any shares or interest or offer or attempt to do so or permit the same to be done without the Franchisor's prior written consent;

c. The corporation will maintain stop transfer instructions against the transfer of shares on its records subject to the restrictions of this Section and will have all outstanding shares endorsed with the following legend printed conspicuously upon the face of each certificate:

> "The transfer of this certificate is subject to the terms and conditions of a certain Franchise Agreement with HomeSmart International, LLC. Reference is made to said Franchise Agreement and to the restrictive provisions of the articles of this corporation."

d. The articles of incorporation, articles of organization, operating agreement, partnership agreement, shareholder agreement, and by-laws of the corporation, limited liability company, partnership or other business entity will provide that its objectives or business is confined exclusively to the operation of the Business as provided for in this Agreement, include reasonable buy-sell and dispute resolution terms, and recite that the issuance and transfer of any shares, membership interest, partnership interest or other interest is restricted by the terms of this Agreement. Copies of the relevant Ownership Documents shall be furnished to the Franchisor upon request;

e. The Franchisor's consent to a transfer of any interest subject to the restrictions of this Section will not constitute a waiver of any claim it may have against the assignor, nor will it be deemed a waiver of the Franchisor's right to demand exact compliance with any of the terms of this Agreement by the assignee;

f. The corporation, partnership, limited liability company or other business entity will advise the Franchisor and keep the Franchisor current as to the names and addresses of the directors, officers, members, partners and shareholder of and those persons financially involved in the corporation, partnership, limited liability company or other business entity; and

g. Franchisee agrees to devote its full time and best efforts to manage the day-to-day operations of the HomeSmart Real Estate Brokerage Business unless it has an operational partner or Designated Business Manager approved by the Franchisor.

16.10 Upon the death of Franchisee, shareholder, partner, or member the rights granted by this Agreement may pass to the next of kin or legatees, provided that Franchisee's legal representatives will within ninety (90) calendar days of Franchisee's death apply in writing to the Franchisor for the right to transfer to the next of kin or legatee Franchisee's rights under this Agreement. Franchisor will not unreasonably withhold its permission so long as the proposed transferees meet each of the requirements set forth in this Section 16 within thirty (30) days of the receipt of a conditional permission for the transfer.

16.11 Any attempt by Franchisee to transfer any of its rights or interest under this Agreement or the License, without having received the Franchisor's prior written consent, will constitute a material breach of this Agreement. However, if Franchisee dies and its personal representative does not desire to sell the Business, and if under controlling local law Franchisee's interest in the Business, the License and Agreement are distributable to heirs or legatees who are members of his or her immediate family and who otherwise would qualify as assignees, then this attempted assignment by operation of law will not be

deemed in violation of this Agreement, provided that these heirs or legatees accept the conditions imposed on otherwise permitted assignees.

16.12 Franchisee will not have the right to grant a subfranchise.

17. OPTION TO PURCHASE — RIGHT OF FIRST REFUSAL

17.1 Unless otherwise explicitly provided by this Agreement, the Franchisor is entitled to exercise the rights provided in this Section immediately upon:

a. The expiration without the extension of Franchisee's rights to operate the Business or the termination for any reason of the License or this Agreement;

b. Any breach, default or other event that gives the Franchisor the right to terminate the License or this Agreement, after expiration of any applicable notice and cure period; or

c. The receipt by the Franchisor of a copy of a Purchase Offer.

17.2 Upon any event described in Section 17.1, the Franchisor will have the option to purchase all of Franchisee's rights, title and interest in the Business, and all its improvements, furniture, fixtures, equipment, and all of Franchisee's accounts, contract rights, customer and vendor lists, work in progress and all other business assets. The right and option granted to Franchisor by this Section 17 is assignable by Franchisor to any other person or entity.

17.3 The purchase price for the assets described in Section 17.2 will be, subject to Section 17.4: (a) the current fair market value if Section 17.1(a) or 17.1(b) is applicable; or (b) the price specified in the Purchase Offer received by Franchisee if Section 17.1(c) is applicable. If Franchisee and the Franchisor cannot agree on fair market value within a reasonable time, an independent appraiser will be designated by each of Franchisee and the Franchisor and an average of the two (2) appraised values will be binding. Appraised values will exclude any and all consideration for goodwill or going concern value created by the Marks and business system licensed to Franchisee.

17.4 If the Franchisor elects to exercise any option to purchase provided in this Section 17, the Franchisor will have the right to set off all amounts due from Franchisee to Franchisor or its Affiliates under the Franchise Agreement or any other agreements between these parties, any commissions or fees payable to any broker, agent or other intermediary and the cost of the appraisal, if any, against any payment. Franchisor will also have the right to substitute cash for any other form of consideration specified in the Purchase Offer and to pay in full the entire purchase price at the time of closing.

17.5 Franchisor will notify Franchisee of its intention to exercise or to not exercise its rights to purchase ("**Notice of Intent**") within sixty (60) days following an event described in Section 17.1(a) or 17.1(b) or within fifteen (15) days following an event described in Section 17.1(c). The Notice of Intent will specify the assets to be purchased, and the current fair market value as determined by the Franchisor if Section 17.1(a) or 17.1(b) is applicable. In the event the Franchisor is purchasing the assets pursuant to Sections 17.1(a) or 17.1(b), Franchisee will have fourteen (14) days following receipt of the Franchisor's Notice of Intent to object to any of the prices specified therein, and any disputes over pricing is resolved through appraisal as specified by Section 17.3. If the Franchisor declines to exercise its rights under this Section or fails to notify Franchisee within the fifteen (15) or sixty (60) day period described above, as applicable, Franchisee may sell or dispose of the Business to any third party in the event of a sale under Section 17.1(a) or 17.1(b) or to the third party identified in the Purchase Offer in the event of a sale under Section 17.1(c), but not at a lower price nor on more favorable terms than set forth in the Purchase Offer,

if any, or the Notice of Intent and subject to the prior written permission of the Franchisor and satisfaction of the other conditions to assignment set forth in Section 16. If the sale to this third party purchaser is not completed within ninety (90) days after Franchisor delivers or is deemed to have delivered the Notice of Intent not to purchase the assets to Franchisee, the Franchisor will again have the right of first refusal herein provided.

17.6 If the Franchisor provides Franchisee with its Notice of Intent to exercise its rights under this Section 17, the purchase and sale contemplated in this Section is consummated as soon as possible. In the event the Franchisor is purchasing the assets pursuant to Sections 17.1(a) or 17.1(b), following the delivery of a Notice of Intent as specified in Section 17.5, the Franchisor or the Franchisor's assignee or designee will have the immediate right to take possession of the Business and to carry on and develop the Business for the exclusive benefit of the Franchisor, or its assignee or designee.

18. DEFAULT AND TERMINATION

18.1 The Franchisor will have the right, at its option, to (i) suspend performance of certain or all of its services to Franchisee during the time period Franchisee is in default of this Agreement; or (ii) terminate this Agreement and all rights granted Franchisee hereunder, (subject to the provisions of applicable state law governing franchise termination and renewal), effective upon receipt of notice by Franchisee, addressed as provided in Section 19, upon the occurrence of any of the following events:

a. Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of the Franchisor's Operations Manual, Confidential Information or Trade Secrets of the Franchisor;

b. Franchisee voluntarily abandons the Business for a period of five (5) consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue operation of the Business, unless this abandonment is due to a Force Majeure Event, as defined in Section 21.6 and not related to the availability of funds to Franchisee;

c. Franchisee becomes insolvent or is adjudicated a bankrupt; or any action is taken by Franchisee, or by others against Franchisee under any insolvency, bankruptcy or reorganization act, or if Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed for Franchisee;

d. Any material judgment (or several judgments which in the aggregate are material) is obtained against Franchisee and remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against Franchisee's Business or any of the property used in the operation of the Business and is not discharged within five (5) days; or if the real or personal property of Franchisee's Business is sold after levy thereupon by any sheriff, marshal or constable;

e. Franchisee or any owner of greater than 20% of Franchisee entity or operator has its real estate broker license terminated or suspended for a period of greater than thirty (30) days or is charged or convicted of a felony, a crime involving moral turpitude, a civil claim or charge brought by a governmental entity alleging fraud or misrepresentations, or any crime or offense that is reasonably likely, in the sole opinion of the Franchisor, to materially and unfavorably affect the System, Marks, goodwill or reputation thereof;

f. Franchisee fails to pay any amounts due the Franchisor or its Affiliates within ten (10) days after receiving notice that these fees or amounts are overdue;

g. Franchisee misuses or fails to follow the Franchisor's directions and guidelines concerning use of the Marks and fails to correct the misuse or failure within ten (10) days after notification from the Franchisor;

h. Franchisee has received two (2) notices of default with respect to Franchisee's obligations hereunder from the Franchisor within a twelve (12) month period, regardless of whether the defaults were cured by Franchisee;

i. Franchisee sells, transfers or otherwise assigns the Business, an interest in the Business or Franchisee entity, this Agreement, the Business or a substantial portion of the assets of the Business owned by Franchisee without complying with the provisions of Section 16 and Section 17;

j. Franchisee submits on two (2) or more occasions during the Initial Term or any Interim Period a report, financial statement, tax return, schedule or other information or supporting record which understates its Gross Commission Income by more than 2%, unless Franchisee demonstrates that this understatement resulted from inadvertent error;

k. Franchisee fails, or refuses, to submit any report, financial statement, tax return, schedule or other information or supporting records required herein, or submits these reports more than five (5) days late on two (2) or more occasions during the Initial Term or any Interim Period unless due to circumstances beyond the control of Franchisee;

l. Franchisee sells or offers for sale any unauthorized merchandise, product or service, engages in any unauthorized business or practice or sells any unauthorized product or service under the Marks or under a name or mark which is confusingly similar to the Marks;

m. Franchisee contests in any court or proceeding the validity of, or the Franchisor's ownership of the Marks or Copyrighted Materials;

n. Franchisee is a corporation, limited liability company, partnership or other business entity and any action is taken which purports to merge, consolidate, dissolve or liquidate this entity without the Franchisor's prior written consent;

o. Franchisee or its Designated Business Manager fails to successfully complete the Franchisor's training or retraining course(s);

p. Franchisee receives from the Franchisor during the Initial Term and any Interim Period three (3) or more notices of default regardless whether these notices of default relate to the same or different defaults, or whether these defaults have been remedied by Franchisee; or

q. Any misrepresentation under Section 2.10 or any violation of Anti-Terrorism Laws by Franchisee, Designated Business Manager, its owners, agents or employees.

18.2 Franchisor will have the right, at its option, to (i) suspend performance of certain or all of its services to Franchisee during the time period Franchisee is in default of this Agreement; or (ii) terminate this Agreement (subject to any state laws to the contrary, where state law will prevail), effective upon thirty (30) days written notice to Franchisee, if Franchisee breaches any other provision of this Agreement and fails to cure the default during such thirty (30) day period. In that event, this Agreement will terminate without further notice to Franchisee, effective upon expiration of the thirty (30) day period. Defaults include, but are not limited to, the following:

a. Franchisee fails to maintain the then-current operating procedures and standards established by the Franchisor as set forth herein or in the Operations Manual or otherwise communicated to Franchisee;

b. Franchisee fails, refuses or neglects to obtain the Franchisor's prior written approval or consent as required by this Agreement;

c. Franchisee fails or refuses to comply with the then-current requirements of the Operations Manual;

d. Franchisee, or any partnership, joint venture, limited liability company, corporation or other business entity in which Franchisee has a controlling equity interest, defaults under any term of the Lease of an Office or any other premises used by Franchisee to operate the Business, any other franchise agreement with the Franchisor or any other agreement material to the Business and such default is not cured within the time specified in this Lease, other franchise agreement or other agreement;

e. Franchisee fails, refuses or neglects to submit a statement of monthly revenues accompanying the Royalty Fee or FMAF funds or any other report required under the Agreement when due;

f. Franchisee fails, refuses or neglects to accurately report Gross Commission Income, sales information or other information required by Franchisor to be reported; or

g. Franchisee fails to comply with any other provision of this Agreement or any specification, standard or operating procedure prescribed by the Franchisor and does not correct this failure within ten (10) days (or thirty (30) days if this is the first non-compliance or breach) after written notice from the Franchisor (which will describe the action that Franchisee must take) is delivered to Franchisee.

18.3 Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within this thirty (30) day period and Franchisee has commenced and is continuing to make good faith efforts to cure the breach during this thirty (30) day period, Franchisee is given an additional reasonable period of time to cure the same, but in no event longer than thirty (30) additional days.

18.4 A termination of this Agreement by Franchisee for any reason or no reason at all is deemed to be a termination without cause, and a breach hereof, by Franchisee. Franchisee agrees that it will not, on grounds of an alleged nonperformance by Franchisor of any of its obligations or any other reason, withhold payment of any amount due to Franchisor whatsoever or set off amounts owed to Franchisor under this Agreement, against any monies owed to Franchisee, which right of set off is hereby expressly waived by Franchisee.

18.5 No endorsement or statement on any check or payment of any sum less than the full sum due to the Franchisor is construed as an acknowledgment of payment in full or an accord and satisfaction, and the Franchisor may accept and cash this check or payment without prejudice to its right to recover the balance due or pursue any other remedy provided herein or by law. Franchisor may apply any payments made by Franchisee against any past due indebtedness of Franchisee as the Franchisor may see fit. Franchisor may set off against any payment due to Franchisee hereunder any outstanding debts of Franchisee to Franchisor, and may, at Franchisor's option, pay Franchisee's trade creditors out of any sum otherwise due to Franchisee.

18.6 Franchisee agrees to pay within five (5) days of the effective date of termination or expiration of the Franchise all amounts owed to Franchisor, Franchisor's Affiliates, the landlord of an Office or other premises used in the Business, and Franchisee's trade and other creditors which are then unpaid.

18.7 All royalty and advertising contributions, all amounts due for goods purchased by Franchisee periodically from the Franchisor or its Affiliates and any other amounts owed to the Franchisor or its Affiliates by Franchisee pursuant to this Agreement or any other agreement will bear interest after the due date at the rate of 18% per annum or the highest rate permitted by law, whichever is lower, both before and after default, with interest on overdue interest at the aforesaid rate. The acceptance of any interest payment will not be construed as a waiver by Franchisor of its rights in respect of the default giving rise to this payment and is without prejudice to Franchisor's right to terminate this Agreement in respect of this default.

18.8 Should Franchisee, or any partnership or joint venture or corporation in which Franchisee has a controlling equity interest, be a franchisee pursuant to another franchise agreement with Franchisor, respecting another HomeSmart Real Estate Brokerage Business using the Marks, a default under this Agreement constitutes a default under any other Franchise Agreement and vice versa, with like remedies available to the Franchisor. Should any other Franchise Agreement cease to be valid, binding and in full force and effect for any reason then the Franchisor may, at its option terminate this Agreement and this Agreement is forthwith surrendered by Franchisee and terminated, and likewise should this Agreement cease to be valid binding and in full force and effect for any reason, the Franchisor may at its option terminate the other Franchise Agreement and the other Franchise Agreement is forthwith surrendered and terminated. In the event that there is more than one Franchisee, or if Franchisee should consist of more than one legal entity, Franchisee's liability hereunder is both joint and several. A breach hereof by one of these entities or Franchisee is deemed to be a breach by both or all.

18.9 Franchisee agrees that upon termination or expiration of this Agreement, it will take the following action:

a. Immediately discontinue the use of all Marks, signs, structures, forms of advertising, telephone listings, facsimile numbers, e-mail addresses, the Operations Manual, and all materials, Services of any kind which are identified or associated with the System and return all these materials to Franchisor;

b. Immediately turn over to Franchisor all materials, including the Operations Manual, agent lists, customer lists, records, files, instructions, brochures, advertising materials, agreements, Confidential Information, Trade Secrets and any and all other materials provided by Franchisor to Franchisee or created by a third party for Franchisee relating to the operation of the Business (all of which are acknowledged to be Franchisor's property). Under no circumstances will Franchisee retain any printed or electronic copies of the Operations Manual, Confidential Information or Trade Secrets or portions thereof upon expiration or termination of this Agreement;

c. Franchisee hereby acknowledges that all telephone numbers, facsimile numbers and Internet addresses used in the operation of the Business constitute assets of the Franchisor; and upon termination or expiration of this Agreement, Franchisee will take action within five (5) days to cancel or assign to Franchisor or its designee as determined by Franchisor, all Franchisee's right, title and interest in and to Franchisee's telephone numbers, facsimile numbers and Internet addresses and will notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number and Internet and e-mail addresses, and any regular, classified or other telephone directory listing associated with the Marks and to authorize a transfer of same to or at the direction of Franchisor.

Franchisee acknowledges that, as between Franchisor and Franchisee, Franchisor has the sole rights to, and interest in, all telephone numbers, facsimile numbers, directory listings and Internet addresses used by Franchisee to promote the Business and/or associated with the Marks. Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute these directions and authorizations as may be necessary or prudent to accomplish the foregoing. **Attachment 7** evidences this appointment;

d. Make no representation nor state that Franchisee is in any way approved, endorsed or licensed by the Franchisor or associated or identified with the Franchisor or the System in any manner;

e. Immediately take all steps necessary to amend or terminate any registration or filing of any d/b/a or business name or fictitious name or any other registration or filing containing the Marks so as to delete the Marks and all references to anything associated with the System;

f. Provide Franchisor the option to purchase as set forth in Section 17; and

g. Comply with the provisions of Sections 11.1(c), 11.1(d), and 15.

18.10 If, within thirty (30) days after termination or expiration of this Agreement by the Franchisor, Franchisee fails to remove all displays of the Marks from the Business, the Franchisor may enter the Business to effect removal. In this event, Franchisor will not be charged with trespass nor be accountable or required to pay for any displays or materials.

18.11 If, within thirty (30) days after termination or expiration of this Agreement, Franchisee has not taken all steps necessary to amend or terminate any registration or filing of any business name or d/b/a or any other registration or filing containing the Marks, Franchisee hereby irrevocably appoints the Franchisor as Franchisee's true and lawful attorney for Franchisee, and in Franchisee's name, place and stead and on Franchisee's behalf, to take action as may be necessary to amend or terminate all registrations and filings, this appointment being coupled with an interest to enable the Franchisor to protect the System.

18.12 Termination or expiration of this Agreement will not affect, modify or discharge any claims, rights, causes of action or remedies which the Franchisor may have against Franchisee, whether these claims or rights arise before or after termination or expiration.

18.13 All obligations of the parties which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect notwithstanding this expiration or termination. In particular, but without limiting the generality of the foregoing, the provisions of Sections 11, 13, 15 and 17, hereof will survive termination or expiration of this Agreement.

18.14 In the event that this Agreement expires or is terminated for any reason whatsoever and the Franchisor is the lender under any loan agreement ("**Loan**") or the holder of any promissory note ("**Note**") or the holder of any personal property, security interest, chattel mortgage, debenture or mortgage of any nature whatsoever ("**Security Interest**") from Franchisee concerning assets used at any time by Franchisee in the Business or which are situated on the Business premises, this Loan, Note or Security Interest will, upon the effective date of termination or expiration, immediately become fully due and payable as to all principal and interest so loaned and secured.

18.15 If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder, the prior notice or other action required by that law or rule is substituted for the notice requirements hereof. Those modifications to this Agreement is

effective only in that jurisdiction and is enforced as originally made and entered into in all other jurisdictions.

18.16 In the event of termination of the Agreement for any reason whatsoever the parties will accept the default remedies contained herein as full and final satisfaction of all claims. The parties waive, if permitted by law, any claim against the other for punitive or exemplary damages; except for punitive or exemplary damages for violation of the Lanham Act, trademark infringement or dilution, unauthorized dissemination of the Confidential Information or Trade Secrets, or arising under the indemnification set out in Section 13.2.

18.17 The rights of the parties are cumulative and no exercise or enforcement by a party of any right or remedy hereunder will preclude the exercise or enforcement by that party of any other right or remedy herein contained, or to which it is entitled by law.

18.18 Nothing herein will prevent the Franchisor or Franchisee from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies. If it is necessary for the Franchisor to seek preliminary or permanent injunctive relief, the Franchisor may do so without a bond.

18.19 THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THAT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, THE STATE OR FEDERAL LAW WILL GOVERN THE FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

19. NOTICES

19.1 Any notice of default under this Agreement is delivered personally or by courier to the appropriate location. Any other notice, request, demand, approval, consent or other communication which the parties may be required or permitted to be given under this Agreement is in writing and may be given to the party for whom it is intended by personal delivery, electronic mail (return receipt requested) or delivering it to the party by mailing it by prepaid registered mail or by sending it through a nationally recognized overnight courier service as follows:

To Franchisor: HomeSmart International, LLC
8388 East Hartford Drive, Suite 100
Scottsdale, Arizona 85255
legal@hsmove.com

To Franchisee: _____
_____
_____

Attention: _____
E-Mail: _____

with a copy (which will not constitute notice) to:

_____
_____
_____

Attention: _____

Any notice or other document delivered personally or by electronic mail (return receipt requested) is deemed to have been received by and given to the addressee on the day of delivery and any other notice or

other document mailed as aforesaid, is deemed to have been received by and given to the addressee on the 3rd business day following the date of mailing or the first day following the day the notice is deposited with a nationally recognized overnight courier service. Any party may at any time give notice in writing to any other party of any change of address.

20. ARBITRATION

20.1 Except as otherwise provided in this Section, any controversy or dispute arising out of, or relating to the franchise or this Agreement including, any claim by Franchisee or any person in privity with or claiming through, on behalf of or in the right of Franchisee, concerning the entry into, performance under, or termination of, this Agreement or any other agreement entered into by the Franchisor, or its subsidiaries or Affiliates, and Franchisee, any claim against a past or present employee, officer, director, member, shareholder or agent of the Franchisor; any claim of breach of this Agreement; and any claims arising under state or federal laws, is submitted to final and binding arbitration as the sole and exclusive remedy for any controversy or dispute. "Persons in privity" with or claiming through, on behalf of or in the right of Franchisee include but are not limited to, spouses and other family members, heirs, executors, representatives, successors and assigns. Subject to this Section, the right and duty of the parties to this Agreement to resolve any disputes by arbitration is governed exclusively by the Federal Arbitration Act, as amended, and arbitration will take place according to the commercial arbitration rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. The arbitration will be held in Phoenix, Arizona. However, arbitration will not be required to be used for any dispute which involves Franchisee's or Franchisor's continued usage of any of the Marks, the System, or business concept; any issue where injunctive relief against Franchisee or the Franchisor is an appropriate remedy; disputes solely involving the payment of money; or, any issues related to disclosure or misuse of Confidential Information or Trade Secrets, all of which issues may be submitted to a state or federal court within the State of Arizona. The parties expressly consent to personal jurisdiction in the State of Arizona and agree that its court(s) will have exclusive jurisdiction over any of these issues not subject to arbitration.

20.2 The parties will select one arbitrator from a panel of neutral arbitrators provided by the American Arbitration Association and this arbitrator is chosen by the striking method. The parties will each bear all of their own costs of arbitration; however, the fees of the arbitrator shall be divided equally between the parties. The arbitrator will have no authority to amend or modify the terms of this Agreement. The award or decision by the arbitrator is final and binding on the parties and may be enforced by judgment or order of a court having subject matter jurisdiction in the state where the arbitration took place. The parties consent to the exercise of personal jurisdiction over them by these courts and to the propriety of venue of these courts for the purpose of carrying out this provision; and they waive any objections that they would otherwise have concerning these matters.

20.3 Parties to arbitration under this Agreement will include, by consolidation, joinder or in any other manner, any person other than Franchisee and any person in privity with or claiming through, in the right of or on behalf of Franchisee or the Franchisor, unless both parties consent in writing. If permitted by applicable law, no issue of fact or law is given preclusive or collateral estoppel effect in any arbitration hereunder, except if this issue may have been determined in another proceeding between the Franchisor and Franchisee or any person in privity with or claiming through, in the right of or on behalf of Franchisee or the Franchisor.

20.4 The parties agree that any arbitration arising out of a dispute relating to this Agreement is only a matter between the Franchisor and Franchisee and no other franchisees. Franchisee agrees not to join or attempt to join other franchisees or licensees in any arbitration or attempted litigation against the Franchisor.

20.5 Franchisor's and Franchisee's rights hereunder are cumulative and no exercise or enforcement by Franchisor or Franchisee or any right or remedy hereunder will preclude the exercise or enforcement by Franchisor or Franchisee of any other right or remedy hereunder or which Franchisor or Franchisee are entitled by law to enforce.

20.6 Except with respect to Franchisee's obligation to indemnify Franchisor pursuant to Section 13.2, Franchisor and Franchisee 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 Franchisor and Franchisee, the party making a claim is limited to recovery of any actual damages sustained by it.

20.7 Nothing contained in this Agreement will bar Franchisor or Franchisee from obtaining a temporary restraining order or preliminary injunctive relief against threatened or actual conduct that would cause Franchisor or Franchisee irreparable loss or damages. The sole remedy of the enjoined party, in the event of the entry of an injunction, will be the dissolution of the injunction, if warranted, after a hearing is held (all claims for damages by reason of the wrongful issuance of any this injunction being expressly waived by this Agreement). Franchisee also agrees that the court may issue a temporary restraining order or preliminary injunction that is mandatory in nature if this order or relief is necessary to ensure the operation of Franchisee's Business as a HomeSmart™ Real Estate Brokerage Business pursuant to the terms of this Agreement. Any action is brought as provided in Section 21.1.

21. MISCELLANEOUS

21.1 Except if governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other applicable federal law, this Agreement is interpreted under the laws of the State of Arizona, and any dispute between the parties is governed by and determined in accordance with the substantive laws of the State of Arizona, which laws will prevail in the event of any conflict of law. Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving Franchisee, its officers or directors and the Franchisor, its officers, directors, shareholders, members, employees or Affiliates, both parties agree that the exclusive venue for disputes between them is in the State of Arizona and each waive any objection either may have to the personal jurisdiction of or venue in the State of Arizona. Franchisee irrevocably submits to the jurisdiction of its courts and waives any objection Franchisee may have to either the jurisdiction or venue in its court.

21.2 All provisions of this Agreement are severable and this Agreement is interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein; all partially valid and enforceable provisions are enforced if they are valid and enforceable.

21.3 If either party institutes a legal proceeding, including court proceedings or arbitration, and prevails entirely or in part in any action at law or in equity against the other party based entirely or in part on the terms of this Agreement, the prevailing party is entitled to recover from the losing party, in addition to any judgment, reasonable attorneys' fees, court costs and all of the prevailing party's expenses in connection with any action at law.

21.4 No failure, forbearance, neglect or delay of any kind on the part of the Franchisor in connection with the enforcement or exercise of any rights under this Agreement will affect or diminish the Franchisor's right to strictly enforce and take full benefit of each provision of this Agreement at any time, whether at law for damages, in equity for injunctive relief or specific performance, or otherwise. No custom, usage or practice with regard to this Agreement by Franchisee or the Franchisor's other franchisees will preclude the strict enforcement of this Agreement in accordance with its literal terms. No waiver by the

Franchisor of performance of any provision of this Agreement constitutes or be implied as a waiver of the Franchisor's right to enforce that provision at any future time. No interpretation, change, termination or waiver of any provision of this Agreement, and no consent or approval under this Agreement, is binding upon Franchisee or the Franchisor or effective unless in writing signed by Franchisee and the Franchisor's CEO or President, except that a waiver need be signed only by the party waiving.

21.5 This Agreement, together with the Operations Manual, any written related agreements, all Exhibits, Attachments, and the State Addenda attached to the Disclosure Document as Exhibit E, constitutes the entire understanding and agreement between Franchisee and the Franchisor and supersedes all prior understandings, whether oral or written, pertaining to this Agreement, License, System or Business. However, nothing in this Agreement or any related Agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

21.6 Neither party is liable for any loss or damage due to any delay in the due performance of the terms hereof (except for the payment of money) by reason of strikes, lockouts and other labor relations, fires, riots, wars, embargoes and civil commotion, or acts of God ("**Force Majeure Event**"). Any delay will extend performance only so long as this event is in progress except this Force Majeure Event will not affect or change Franchisee's obligation to pay Royalty Fees or FMAF contributions when due. Notwithstanding the foregoing, if there is a Force Majeure Event, Franchisor may elect to waive the Royalty Fees or FMAF contributions during the period of delay caused by the Force Majeure Event or a shorter period.

21.7 Franchisee will sign and deliver any further instruments, contracts, forms and other documents, and will perform any further acts, as may be necessary or desirable, to carry out, complete and perform all terms, covenants and obligations herein contained. Franchisee hereby irrevocably appoints the Franchisor as its attorney, and hereby empowers it to sign any instruments regarding the Marks for and in Franchisee's name to give full effect to Sections 11, 13, 16, and 18 of this Agreement. Franchisee hereby declares that the powers of attorney herein granted may be exercised during any subsequent legal incapacity on its part.

21.8 This Agreement is binding upon, and subject to Section 16 hereof, will inure to the benefit of, Franchisee's successors and permitted assigns.

21.9 This Agreement may only be modified or amended by a written document signed by Franchisee and the Franchisor. Franchisee acknowledges that the Franchisor may modify its standards and specifications and operating and marketing techniques set forth in the Operations Manual unilaterally under any conditions and to the extent in which the Franchisor deems necessary to protect, promote, or improve the Marks, and the quality of the System, but under no circumstances will these modifications be made arbitrarily without this determination. Notwithstanding anything herein to the contrary, the Franchisor will have the right unilaterally to reduce the scope of any covenants of Franchisee contained in this Agreement upon notice to Franchisee, whereupon Franchisee will comply therewith as so modified.

21.10 Periodically, the Franchisor will have the right to delegate the performance of any portion or all of its obligations and duties under this Agreement to third parties, whether the same are agents of the Franchisor or independent contractors which the Franchisor has contracted with to provide these services. Franchisee agrees in advance to any delegation by the Franchisor of any portion or all of its obligations and duties under this Agreement.

21.11 This Agreement will be executed in multiple copies, each of which will be deemed an original. The preambles are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between Franchisor and Franchisee

relating to the subject matter of this Agreement. Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. The headings of the several sections and paragraphs of this Agreement are for convenience only and do not define, limit or construe the contents of such sections or paragraphs. The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

a. The term "**Franchisee**" as used herein is applicable to one or more persons, a corporation, limited liability company, a partnership or other business entity, as the case may be, and the singular usage (where applicable) includes the plural and the masculine and neuter usages (where applicable) include the other and the feminine.

b. Subject to Franchisor's rights under trademark laws, the parties' rights under this Agreement and the relationship between the parties are governed by, and will be interpreted in accordance with Section 21.1. Franchisee and its Affiliates waive, to the fullest extent permitted by law, the rights and protections that might be provided through the laws of any other country or other jurisdiction.

c. When calculating the date upon which or the time within which any act is to be done pursuant to this Agreement, the date which is the reference date in calculating this period is excluded; if the last day of this period is a non-business day, the period in question will end on the next business day.

d. The parties recognize, and any referee, arbitrator and judge, is affirmatively advised, that certain provisions of this Agreement reflect rights of Franchisor and Franchisee to take (or refrain from taking) certain actions in exercise of its business judgment based on its assessment of the long term interests of the System or Business as a whole. Where such right has been exercised, and is supported by the business judgment of Franchisor or Franchisee ("**Business Judgment**"), a referee, arbitrator or judge, cannot substitute his or her judgment for the judgment so exercised by Franchisor or Franchisee, even if another reasonable or even arguably preferable alternatives are available.

e. Whenever this Agreement provides that Franchisor has a certain right, that right is absolute and the parties intend that its exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

f. Time is of the essence of this Agreement and of every part thereof.

22. ACKNOWLEDGEMENT

BEFORE SIGNING THIS AGREEMENT, THE FRANCHISEE SHOULD READ IT AND THE DISCLOSURE DOCUMENT SUPPLIED TO THE FRANCHISEE CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL.

THE FRANCHISEE ACKNOWLEDGES THAT:

1. NO STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT, AND IN ANY DISCLOSURE DOCUMENT SUPPLIED TO THE FRANCHISEE, IS BINDING ON THE FRANCHISOR IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT, AND

2. FRANCHISEE HAD A COMPLETE COPY OF THIS AGREEMENT, WITH ALL BLANKS FILLED IN, IN ITS POSSESSION FOR A PERIOD OF TIME NOT LESS THAN SEVEN (7)

DAYS, DURING WHICH TIME THE FRANCHISEE HAD THE OPPORTUNITY TO SUBMIT THIS AGREEMENT FOR PROFESSIONAL REVIEW AND ADVICE OF THE FRANCHISEE'S CHOOSING BEFORE FREELY EXECUTING THIS AGREEMENT. FRANCHISEE ACKNOWLEDGES THAT IT HAS HAD AMPLE TIME AND OPPORTUNITY TO INVESTIGATE THE FRANCHISOR'S BUSINESS AND TO CONSULT WITH LEGAL AND FINANCIAL ADVISORS OF ITS CHOICE.

3. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE SYSTEM AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT AND ITS SUCCESS INVOLVES SUBSTANTIAL BUSINESS RISK AND WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS. FRANCHISEE HEREBY ASSUMES THE RESPONSIBILITY FOR THE SUCCESS OR FAILURE OF THE BUSINESS VENTURE.

4. FRANCHISOR HAS NOT PROVIDED ANY STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION OF ACTUAL, AVERAGE, PROJECTED, FORECASTED OR POTENTIAL PURCHASES, SALE, EARNINGS, INCOME OR PROFITS TO FRANCHISEE.

5. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY ASSURANCE, WARRANTY OR GUARANTEE, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, EARNINGS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

6. FRANCHISEE AGREES TO PARTICIPATE IN TO THE FRANCHISOR INDEX AND DISPLAY PORTION OF THE INTERNET DATA EXCHANGE (IDX) POLICY, WHICH PROVIDES FRANCHISOR WITH THE RIGHT TO INDEX AND DISPLAY LISTING DATA FROM FRANCHISEE'S IDX FEEDS ON ITS NATIONAL INTERNET WEBSITE.

ATTACHMENT 1
TO FRANCHISE AGREEMENT

ROYALTY, TERRITORY, QUOTAS, BRANCH OFFICES and FEES

<table>
<tr><th>Fee or Title</th><th>Amount or Description</th></tr>
<tr><td>Flat Fee Royalties

_____ (Initials)</td><td>(A) The greater of the collective total of:
(i) $12 per agent per month; plus $120 per completed side, if a brokerage represents both the seller and the buyer in the transaction then the fee of $120 applies to each side of the transaction
or
(ii) $500 per month
and
(B) $25 per rental, referral, or lease fee collected by Broker.</td></tr>
<tr><td>HomeSmart+ Plan Participation

_____ (Initials)</td><td>Yes No
(circle one)</td></tr>
<tr><td><u>Annual Agent Quota</u>. By the end of each year during the Initial Term, Franchisee will have the following number of Agents associated with Franchisee in the Territory.

_____ (Initials)</td><td><table><tr><th>Year</th><th>New Agents</th><th>Total Agents</th></tr><tr><td>At Execution</td><td>0</td><td></td></tr><tr><td>1</td><td></td><td></td></tr><tr><td>2</td><td></td><td></td></tr><tr><td>3</td><td></td><td></td></tr><tr><td>4</td><td></td><td></td></tr><tr><td>Renewal</td><td></td><td></td></tr></table></td></tr>
<tr><td>Territory: Described by zip codes.

_____ (Initials)</td><td>The Territory set forth in Section 5.1 of the Agreement is:
_____
_____
_____
_____
_____</td></tr>
</table>

<table>
<tr><th>Fee or Title</th><th>Amount or Description</th></tr>
<tr><td>Branch Offices (Applicable to Multi-Branch Franchisees). By the end of each year during the Initial Term, Franchisee will have opened the following number of Branch Offices:</td><td>
<table>
<tr><th>Year</th><th>New Branch Offices</th><th>Total Branch Offices</th></tr>
<tr><td>At Execution</td><td></td><td></td></tr>
<tr><td>1</td><td></td><td></td></tr>
<tr><td>2</td><td></td><td></td></tr>
<tr><td>3</td><td></td><td></td></tr>
<tr><td>4</td><td></td><td></td></tr>
<tr><td>5</td><td></td><td></td></tr>
</table>
</td></tr>
<tr><td>Successor Franchise Fee</td><td>Fifty percent (50%) of the then-current Initial Franchise Fee, plus fifty percent (50%) of the then-current Branch Office Fee for each Branch Office that is or will be open at the beginning of the Successor Term.</td></tr>
<tr><td>Initial Franchise Fee

_____ (Initials)</td><td>$20,000.</td></tr>
<tr><td>Branch Office Fee

_____ (Initials)</td><td>$10,000.</td></tr>
<tr><td>Technology Fee

_____ (Initials)</td><td>$250 per System Instance of the RealSmart Broker operated by Franchisee. Franchisor reserves the right to increase the Technology Fee during each year of the Initial Term, and any Successor Term and Interim Period by any amount determined by Franchisor, but not to exceed $50 per System Instance of the RealSmart Broker each month.</td></tr>
<tr><td>MLS/RETS Fee

_____ (Initials)</td><td>$250 per month per MLS integrated into the RealSmart Broker. We reserve the right to increase the MLS/RETS Fee by any amount determined by Franchisor, but not to exceed $50 per MLS per month.</td></tr>
<tr><td>Annual Membership Fee

_____ (Initials)</td><td>We currently anticipate charging an Annual Membership Fee to be paid by each of your agents. We will notify you prior to the date that such fee will be first due.</td></tr>
<tr><td>Domain Name Fee

_____ (Initials)</td><td>Equal our expense in securing and maintaining the domain name associated with your HomeSmart Real Estate Brokerage Business.</td></tr>
</table>

Fee or Title	Amount or Description
Marketing Fees **_____ (Initials)**	A Franchise Marketing Accrual Fund Contribution equal to 4% of the per transaction flat fee is built into the Flat Fee Model and will be accounted for from your payments.
Transfer Fee **_____ (Initials)**	Equal to 20% of the then-current Initial Franchise Fee and 20% of the then-current Branch Office Fee for each of Franchisee's Branch Offices.

FRANCHISOR	**FRANCHISEE**
HOMESMART INTERNATIONAL, LLC	_____
By: _____	By: _____
Title: _____	Title: _____
_____	_____

ATTACHMENT 2
TO FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Franchise Agreement signed between _____ and HomeSmart International, LLC ("**Franchisor**") on _____, 20___ ("**Agreement**"), each of the undersigned hereby personally and unconditionally:

Guarantees to the Franchisor and its successors and assigns, for the Initial Term, including any Interim Period thereof, that _____ ("**Franchisee**") will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and

Agrees to be personally bound by and personally liable for the breach of, each and every provision in the Agreement, including but not limited to the terms of Section 15.

Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by the Franchisor of the foregoing undertaking;

2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;

3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

4. Any right he or she may have to require that any action be brought against Franchisee or any other person as a condition of liability; and

5. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

1. His or her direct and immediate liability under this guaranty is joint and several;

2. He or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;

3. This liability will not be contingent or conditioned upon pursuit by the Franchisor of any remedies against Franchisee or any other person; and

4. This liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may periodically 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 is continuing and irrevocable during the Initial Term, including any Interim Period thereof.

[Signature Page to Follow]

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was signed.

GUARANTORS

_____	_____
Date: _____	Date: _____
Printed Name: _____	Printed Name: _____
Address: _____	Address: _____
_____	_____
_____	_____
_____	_____
Date: _____	Date: _____
Printed Name: _____	Printed Name: _____
Address: _____	Address: _____
_____	_____
_____	_____

ATTACHMENT 3
TO FRANCHISE AGREEMENT

CONSENT OF SPOUSE

The undersigned is the spouse of the Guarantor identified in the Guaranty and Assumption of Franchisee's Obligations dated as of _____, between his or her spouse and Franchisor (the "**Guaranty Agreement**"), to which this Consent of Spouse is attached. The undersigned hereby declares that he or she has read the Guaranty Agreement in its entirety and, being fully convinced of the wisdom and equity of the terms of the Guaranty Agreement, and in consideration of the premises and of the provisions of the Guaranty Agreement, the undersigned hereby expresses his or her acceptance of the same and does agree to its provisions.

The undersigned further agrees that in the event of the death of his or her spouse, the provisions of this Guaranty Agreement will be binding upon him or her.

The undersigned further agrees that he or she will at any time make, execute, and deliver such instruments and documents that may be necessary to carry out the provisions of the Guaranty Agreement.

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

SPOUSE:

_____
Signature

_____
Printed Name

_____
Date

ATTACHMENT 4
TO FRANCHISE AGREEMENT

ACKNOWLEDGMENT

Franchisee, and its shareholders and partners, as applicable, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the first date set forth above.

ACCEPTED on this ____ day of _____, 20___.

FRANCHISOR:	**FRANCHISEE:**
HOMESMART INTERNATIONAL, LLC	_____
_____	_____
Signature	Signature
_____	_____
Printed Name	Printed Name
_____	_____
Date	Date
INDIVIDUALS WITH AN INTEREST IN FRANCHISEE	INDIVIDUALS WITH AN INTEREST IN FRANCHISEE
_____	_____
Signature	Signature
_____	_____
Printed Name	Printed Name
_____	_____
Date	Date

ATTACHMENT 5
TO FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP

Franchisee: _____

Trade Name (if different from above): _____

Form of Ownership
(Check One)

____ Individual ____ Partnership ____ Corporation ____ Limited Liability Company

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a Limited Liability Company, give the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

_____

_____

_____

_____

Franchisee acknowledges that this Statement of Ownership applies to the Real Estate Brokerage Business authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to the Franchisor in writing.

Date: _____ Name: _____

ATTACHMENT 6
TO FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS (DIRECT DEBITS) BY AND BETWEEN HOMESMART INTERNATIONAL, LLC AND _____ ("Franchisee")

The undersigned depositor ("**Depositor**") hereby authorizes HomeSmart International, LLC ("**Company**") and its Affiliates to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("**Depository**") via Automated Clearing House ("**ACH**") transfers or transactions to debit this account pursuant to Company's instructions.

Depository	Branch
Address	City, State, Zip Code
Bank Transit/ABA Number	Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Depositor of the Depositor's termination of this authority in a time and manner as to afford Depository a reasonable opportunity on which to act. If an erroneous debit entry is initiated to Depositor's account, Depositor will have the right to have the amount of the entry credited to this account by Depository, if (a) within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to the entry or (b) forty-five (45) days after posting, whichever occurs first, Depositor will have sent to Depository a written notice identifying the entry, stating that the entry was in error and requesting Depository to credit the amount to this account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

Depositor	Depository
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

ATTACHMENT 7
TO FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS AND TELEPHONE LISTINGS AND INTERNET ADDRESSES

THIS ASSIGNMENT is entered into this ____ day of _____, 20____, in accordance with the terms of the HomeSmart International, LLC Franchise Agreement ("**Franchise Agreement**") between _____ ("**Franchisee**") and HomeSmart International, LLC ("**Franchisor**"), executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate a Real Estate Brokerage Business ("**Franchise Business**") located _____.

FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor (1) those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the ("**Telephone Numbers and Listings**") and (2) those certain website addresses ("**URLs**") associated with Franchisor's trade and service marks and used periodically in connection with the operation of the Franchise Business at the address provided above. This Assignment is for collateral purposes only and, except as specified herein, Franchisor will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor will notify the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all of these entities are collectively referred to herein as "Telephone Company") and/or Franchisee's internet service provider ("**ISP**") to effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement (without the extension of Franchisee's rights to operate the Franchise Business), Franchisor will have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers and Listings and the URLs, and, in this event, Franchisee will have no further right, title or interest in the Telephone Numbers and Listings and URLs, and will remain liable to the Telephone Company and the ISP for all past due fees owing to the Telephone Company and the ISP on or before the effective date of the assignment hereunder.

Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor will have the sole right to and interest in the Telephone Numbers and Listings and URLs, and Franchisee irrevocably appoints Franchisor as Franchisee's true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct the Telephone Company and the ISP to assign same to Franchisor, and sign any documents and take any actions as may be necessary to effectuate the assignment. Upon such event, Franchisee will immediately notify the Telephone Company and the ISP to assign the Telephone Numbers and Listings and URLs to Franchisor. If Franchisee fails to promptly direct the Telephone Company and the ISP to assign the Telephone Numbers, Listings, and URLs to Franchisor, Franchisor will direct the Telephone Company and the ISP to make the assignment contemplated under this Agreement to Franchisor. The parties agree that the Telephone Company and the ISP may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Telephone Numbers and Listings and URLs upon the termination or expiration and that this assignment is made automatically and effective immediately upon Telephone Company's and ISP's receipt of this notice from Franchisor or Franchisee. The parties further agree that if the Telephone Company or the ISP requires that the parties sign the Telephone Company's or the ISP's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor's execution of these forms or documentation on behalf of Franchisee will effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform any acts and sign and deliver any documents that may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

ASSIGNEE:	**ASSIGNOR:**
HOMESMART INTERNATIONAL, LLC	_____
_____	_____
Signature	Signature
By: _____	By: _____
Its: _____	Its: _____

ATTACHMENT 8
TO FRANCHISE AGREEMENT

BRANCH OFFICE AUTHORIZATION

THIS BRANCH OFFICE AUTHORIZATION is entered into this ____ day of _____, 20____, in accordance with the terms of the HomeSmart International, LLC Franchise Agreement ("**Franchise Agreement**") between _____ ("**Franchisee**") and HomeSmart International, LLC ("Franchisor"), under which Franchisor granted Franchisee the right to open a Branch Office for Franchisee's Real Estate Brokerage Business within its Territory, as set forth on **Attachment 1** to the Franchise Agreement.

Franchisee has proposed to open a Branch Office at: _____, which is operated under the terms and conditions of the Franchise Agreement.

The Branch Office will open for business on or about: _____, 20____.

Franchisor authorizes Franchisee to operate a Branch Office at the location set forth above.

All capitalized terms not otherwise defined in this Attachment will have the same meanings as in the Franchise Agreement.

Except as set forth in this Attachment, nothing contained herein will modify or amend the Franchise Agreement.

ASSIGNEE:	**FRANCHISEE:**
HOMESMART INTERNATIONAL, LLC	_____
_____	_____
Signature	Signature
By: _____	By: _____
Its: _____	Its: _____

FRANCHISEE REQUIRED AGREEMENTS

Please print and sign two copies and return both full, original copies to HomeSmart International. Signature required on the following pages:

1. Franchise Agreement
2. Legal Representation
3. Witness
4. Attachment 1 Royalty, Territory, Quota, Branch Offices and Fees
5. Attachment 2 Guaranty and Assumption of Franchisee's Obligations
6. Attachment 3 Consent of Spouse
7. Attachment 4 Acknowledgement
8. Attachment 5 Statement of Ownership
9. Attachment 6 Authorization Agreement for Prearranged Payments
10. Attachment 7 Collateral Assignment: Telephone Numbers, Listings & Internet Addresses
11. Attachment 8 Branch Office Authorization (not required at signing of Agreement)

HomeSmart International, LLC
8388 East Hartford Dr., Suite 100
Scottsdale, AZ 85255

Exhibit C to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
LIST OF CURRENT FRANCHISEES AND
FRANCHISEES WHO HAVE LEFT THE SYSTEM

LIST OF FRANCHISEES AS OF DECEMBER 31, 2022							
Location	**Owner**	**Address**	**City**	**State**	**Zip**	**Office #**	**Contact Email**
ARIZONA							
HomeSmart Premier	719 E Cottonwood Lane #3	Casa Grande	AZ	85122	Dayv Morgan	520.350.1474	dayvmorgan@gmail.com, kimfrederickhomes8@gmail.com
HomeSmart Lifestyles	12625 N Saguaro Blvd #116	Fountain Hills	AZ	85268	Stephanie Sandoval	480-390-6683	broker@homesmartlifestyles.com
HomeSmart Pros	101 S La Canada # 63	Green Valley	AZ	85614	Joette Schenck, Patrick Sedillo, Pam White	520.495.4740	joette@homesmartpros.com, patrick@homesmartpros.com
HomeSmart River Realty	1695 Mesquite Avenue	Lake Havasu City	AZ	86403	Terry Silk	928.846.2390	terrysilk@gmail.com
HomeSmart Success	19756 N Maricopa Road Ste 100	Maricopa	AZ	85139	Ted Anderson, Pete Marino	520.350.1474	petemarino@live.com, tedanderson25@gmail.com
HomeSmart Premier	6260 S 35th Ave	Phoenix	AZ	85041	Dayv Morgan	520.350.1474	dayvmorgan@gmail.com, kimfrederickhomes8@gmail.com
HomeSmart Fine Homes and Land	140 N. Montezuma St. # 201	Prescott	AZ	86301	Michael Dougherty, Lori Shaw	928.442.2121	mdougherty8@gmail.com
HomeSmart Fine Homes and Land	518 E Gurley St	Prescott	AZ	86301	Michael Dougherty, Lori Shaw	928.442.2121	mdougherty8@gmail.com
HomeSmart Fine Homes and Land	8133 SR 69, Suite C	Prescott Valley	AZ	86314	Michael Dougherty, Lori Shaw	928.442.2121	mdougherty8@gmail.com
HomeSmart Lifestyles	22243 S. Ellsworth	Queen Creek	AZ	85142	Stephanie Sandoval	480-390-6683	broker@homesmartlifestyles.com
HomeSmart Advantage Group	5425 N Oracle Road #135	Tucson	AZ	85704	Andy McDonald,Cristan Ordonez	520.505.3000	andy@andymcdonald.net
HomeSmart Advantage Group	7841 E. Tanque Verde Rd	Tucson	AZ	85715	Andy McDonald,Cristan Ordonez	520.505.3000	andy@andymcdonald.net
CALIFORNIA							
HomeSmart Optima Realty	5167 Lone Tree Way	Antioch	CA	94531	Michael Awadalla	925.270.0520	michael@michaelawadalla.com
HomeSmart ICARE	948-B Lincoln Way	Auburn	CA	95603	Isom Coleman, Courtney Edwards, Michele Ambry, Julie Hintz, Henry Saunders, Pete Villalba, Lyman Magee	916.993.8680	isom@hsicare.com
HomeSmart Realty West	300 Carlsbad Village Dr., #217	Carlsbad	CA	92008	Abe Hamideh, Roger Lee	760.607.5900	ahamideh@homesmartsd.com, rlee@homesmartsd.com
HomeSmart Optima Realty	3350 Clayton Rd., Suite 100	Concord	CA	94519	Michael Awadalla	925.270.0520	michael@michaelawadalla.com
HomeSmart Realty Group	8141 E 2nd St #502	Downey	CA	90241	Shannon Daniele	562.912.7770	sdaniele@realtygrouphs.com

HomeSmart ICARE	9355 E. Stockton Blvd #170	Elk Grove	CA	95624	Isom Coleman, Courtney Edwards, Michele Ambry, Julie Hintz, Henry Saunders, Pete Villalba, Lyman Magee	916.993.8680	isom@hsicare.com
HomeSmart PV & Associates	6535 North Palm Ave, Ste. 103	Fresno	CA	93704	Todd Priest, Rob Vossoughi	209.544.2500	tpriest@homesmartpva.com, rob@homesmartpva.com
HomeSmart Evergreen Realty	1400 N Harbor Blvd #720	Fullerton	CA	92835	Randy Rector, Tina Rector	714.990.0770	randy.rector@rrector.com
HomeSmart ICARE	10076 Alta Sierra Drive	Grass Valley	CA	95949	Isom Coleman, Courtney Edwards, Michele Ambry, Julie Hintz, Henry Saunders, Pete Villalba, Lyman Magee	916.993.8680	isom@hsicare.com
HomeSmart Evergreen Realty	2130 Main Street, #170	Huntington Beach	CA	92648	Randy Rector, Tina Rector	714.465.2000	randy.rector@rrector.com
HomeSmart Evergreen Realty	9901 Irvine Center Drive	Irvine	CA	92618	Randy Rector, Tina Rector	949.753.7888	randy.rector@rrector.com
HomeSmart Evergreen Realty	24050 Aliso Creek Road, Suite 200	Laguna Niguel	CA	92677	Randy Rector, Tina Rector	909.527.8252	randy.rector@rrector.com
HomeSmart Realty Group	3880 Kilroy Airport Way, #101	Long Beach	CA	90806	Shannon Daniele	562.912.7770	sdaniele@realtygrouphs.com
HomeSmart PV & Associates	735 N. Main St.	Manteca	CA	95336	Todd Priest, Rob Vossoughi	209.544.2500	tpriest@homesmartpva.com, rob@homesmartpva.com
HomeSmart Evergreen Realty	27802 Vista Del Lago, # E2	Mission Viejo	CA	92692	Randy Rector, Tina Rector	949.365.1888	randy.rector@rrector.com
HomeSmart PV & Associates	301 Banner Court	Modesto	CA	95356	Todd Priest, Rob Vossoughi	209.544.2500	tpriest@homesmartpva.com, rob@homesmartpva.com
HomeSmart Evergreen Realty	515-B South Myrtle	Monrovia	CA	91016	Randy Rector, Tina Rector	626.239.1700	randy.rector@rrector.com
HomeSmart Evergreen Realty	18860 Nordhoff St #204	Northridge	CA	91324	Randy Rector, Tina Rector	909.527.8252	randy.rector@rrector.com
HomeSmart ICARE	1891 E Roseville Parkway, Ste 180	Roseville	CA	95661	Isom Coleman, Courtney Edwards, Michele Ambry, Julie Hintz, Henry Saunders, Pete Villalba, Lyman Magee	916.993.8680	isom@hsicare.com
HomeSmart ICARE	3461 Fair Oaks Blvd, Ste 125	Sacramento	CA	95864	Isom Coleman, Courtney Edwards, Michele Ambry, Julie Hintz, Henry Saunders, Pete Villalba, Lyman Magee	916.993.8680	isom@hsicare.com

HomeSmart Evergreen Realty	1397 Calle Avanzado	San Clemente	CA	92673	Randy Rector, Tina Rector	909.527.8252	randy.rector@rrector.com
HomeSmart Realty West	16769 Bernardo Center Dr, # K-28	San Diego	CA	92128	Abe Hamideh, Roger Lee	760.607.5900	ahamideh@homesmartsd.com, rlee@homesmartsd.com
HomeSmart Realty West	2878 Camino Del Rio S., Ste. 100	San Diego	CA	92108	Abe Hamideh, Roger Lee	619.255.9600	ahamideh@homesmartsd.com, rlee@homesmartsd.com
HomeSmart Bay Area	100 Pine St, # 1250 #A77	San Francisco	CA	94111	Michael Young	888.880.7708	myoung@blue-propertygroup.com
HomeSmart Evergreen Realty	28361 Constellation Rd, Suite A	Santa Clarita	CA	91355	Randy Rector, Tina Rector	661.295.1000	randy.rector@rrector.com
HomeSmart Advantage Realty	818 Mendocino Ave, #100	Santa Rosa	CA	95401	Peter Robertson	707.495.5337	probertson@prioritylenders.com, rltr@pacbell.com
HomeSmart PV & Associates	3244 Brookside Road	Stockton	CA	95219	Todd Priest, Rob Vossoughi	209.544.2500	tpriest@homesmartpva.com, rob@homesmartpva.com
HomeSmart Realty West	41823 Enterprise circle N, Ste 130	Temecula	CA	92590	Abe Hamideh, Roger Lee	760.607.5900	ahamideh@homesmartsd.com, rlee@homesmartsd.com
HomeSmart Realty Group	3521 Lomita Blvd, Suite 102	Torrance	CA	90505	Shannon Daniele	714.752.5731	sdaniele@realtygrouphs.com
HomeSmart Evergreen Realty	450 N. Mountain Ave., Ste. A	Upland	CA	91786	Randy Rector, Tina Rector	909.527.8252	randy.rector@rrector.com
HomeSmart Key Realty	16044 Bear Valley Rd Suite 11	Victorville	CA	92395	Paul Pound	909.382.1934	paul@crarealestate.com
COLORADO							
HomeSmart Preferred Realty	1202 Royal Gorge Blvd	Canon City	CO	81212	Sam Banning	719.582.1064	sam@banningteam.com
HomeSmart Realty Partners	242 Linden Street	Fort Collins	CO	80524	Brian Marincic	970.644.5002	brian@homesmartrp.com
HomeSmart Realty Partners	431 Colorado Avenue	Grand Junction	CO	81501	Brian Marincic	970.644.5002	brian@homesmartrp.com
HomeSmart Realty Partners	201 E 4th Street	Loveland	CO	80537	Brian Marincic	970.644.5002	brian@homesmartrp.com
HomeSmart Preferred Realty	635 W Corona Ave #201	Pueblo	CO	81004	Sam Banning	719.582.1064	sam@banningteam.com
HomeSmart Preferred Realty	112 F Street	Salida	CO	81201	Sam Banning	719.582.1064	sam@banningteam.com
HomeSmart Preferred Realty	3 Bassick Place	Westcliffe	CO	81252	Sam Banning	719.783.0995	sam@banningteam.com
CONNECTICUT							
HomeSmart Homes and Estates	101 Merritt 7 3rd Floor	Norwalk	CT	6851	Chris Carbone	203.975.0400	carbonehometeam@gmail.com

HomeSmart Homes and Estates	83 Wooster Heights Rd. Suite 125	Danbury	CT	6810	Chris Carbone	203.975.0400	carbonehometeam@gmail.com
FLORIDA							
HomeSmart Sunshine Realty	305 W Gregory Street	Pensacola	FL	32502	Rick Musto	770.480.7699	rmusto@homesmartrealtypartners.com
HomeSmart Coastal Realty	1680 Highway A1A, Suite 5	Satellite Beach	FL	32397	Susan Nieroda	321-348-9528	susannieroda@gmail.com
GEORGIA							
HomeSmart CSRA	7013 Evans Town Center Blvd. #301	Evans	GA	30809	Kathy Gray	706.642.0232	graykathy@gmail.com
HomeSmart Realty Partners	9755 Dogwood Rd #250	Roswell	GA	30075	Richard Musto	404.419.1004	dancbowden@gmail.com
HAWAII							
HomeSmart Island Homes	1888 Kalakaua Ave C-312	Honolulu	HI	96815	Shay Robinson, Tiffany Robinson	808.799.8968	HomeSmartHawaii@gmail.com
IDAHO							
HomeSmart Premier Realty	901 Pier View Drive	Idaho Falls	ID	83402	Elias Trejo, Kelly Cammack	208.521.1868	elias@208group.com
HomeSmart Premier Realty	3319 E Overland Road	Meridian	ID	83642	Elias Trejo, Kelly Cammack	208.521.1868	elias@208group.com
HomeSmart Premier Realty	312 W Center Street	Pocatello	ID	83204	Elias Trejo, Kelly Cammack	208.521.1868	elias@208group.com
HomeSmart Premier Realty	1411 Falls Ave East, Suite 205	Twin Falls	ID	83301	Elias Trejo, Kelly Cammack	208.521.1868	elias@208group.com
ILLINOIS							
HomeSmart Connect	2380 Esplanade Dr, Suite 201	Algonquin	IL	60102	Bill Flemming	847.366.8477	bill@billflemming.com
HomeSmart Leading Edge	931 Main St	Antioch	IL	60002	Kate Bak, Scott Eberle	224.801.4283	scotteberlesells@gmail.com
HomeSmart Connect	3030 Salt Creek Lane, # 145	Arlington Heights	IL	60005	Bill Flemming	847.495.5000	bill@billflemming.com
HomeSmart Realty Group	2203 E. Empire St. STE C	Bloomington	IL	61704	Dan Bowden	630.578.0002	dancbowden@gmail.com
HomeSmart Realty Group	220 N. Green Street	Chicago	IL	60607	Dan Bowden	312.588.9300	dancbowden@gmail.com
HomeSmart Connect	1367 W. Chicago Ave.	Chicago	IL	60642	Bill Flemming	847.495.5000	bill@billflemming.com
HomeSmart Connect	7240 W Devon Ave	Chicago	IL	60631	Bill Flemming	847.495.5000	bill@billflemming.com
HomeSmart Connect	3228 N. Sheffield Ave	Chicago	IL	60657	Bill Flemming	847.495.5000	bill@billflemming.com
HomeSmart Connect	150 E Cook Ave	Libertyville	IL	60048	Bill Flemming	847.495.5000	bill@billflemming.com

HomeSmart Residential and Commercial Realty	1531 47th Ave	Moline	IL	61265	Kerry Panozzo	309.721.3288	kerry@homesmartresidentialandcommercialrealty.com
HomeSmart Realty Group	651 N Washington	Naperville	IL	60563	Dan Bowden	630.578.0002	dancbowden@gmail.com
HomeSmart Realty Group	5164 W 95th Street	Oak Lawn	IL	60453	Dan Bowden	630.578.0002	dancbowden@gmail.com
HomeSmart Realty Group	9755 W 143rd St	Orland Park	IL	60462	Dan Bowden	855.438.1762	dancbowden@gmail.com
HomeSmart Connect	1003 W Main St	St. Charles	IL	60174	Bill Flemming	847.495.5000	bill@billflemming.com
HomeSmart Connect	606 W. Main St	West Dundee	IL	60118	Bill Flemming	847.495.5000	bill@billflemming.com
INDIANA							
HomeSmart Legacy	833 W Lincoln Hwy. Suite 109E	Schererville	IN	46375	Dan Bowden	219.472.2004	Dancbowden@gmail.com
IOWA							
HomeSmart Residential and Commercial Realty	332 N Harrison St. Suite 200	Davenport	IA	52801	Kerry Panozzo	309.721.3288	kerry@homesmartresidentialandcommercialrealty.com
KANSAS							
HomeSmart Legacy	14300 Kenneth Rd #220	Leawood	KS	66224	Tim Ray	913.274.1041	tim@hslegacy.com
LOUISIANA							
HomeSmart Realty South	2151 Airline Drive	Bossier City	LA	71111	Vickye Vasser	504.908.7653	vickye@hsrealtysouth.com
HomeSmart Realty South	1820 Belle Chasse HWY #201	Gretna	LA	70056	Vickye Vasser	985.869.7653	vickye@hsrealtysouth.com
HomeSmart Realty South	3131 N I-10 Services Rd. #101	Metairie	LA	70002	Vickye Vasser	504.908.7653	vickye@hsrealtysouth.com
MASSACHUSSETTS							
HomeSmart Success Realty	300 Brickstone Square	Andover	MA	1810	Munise Ulker	603.932.9300	munise@homesmartsuccessrealty.com
HomeSmart Professionals Real Estate	N/A (they use the RI office)	Attleboro	MA		Dean deTonnancourt	401.921.5011	dean@leadingyouhome.com
HomeSmart Heritage Realty	99 South Main St	Fall River	MA	2720	Jason Araujo	508.287.2428	jaraujoco@gmail.com
HomeSmart First Class Realty	670 Depot St, Suite #1	North Easton	MA	2356	Ryan Cook	508.297.7270	ryan@homesmartfirstclassrealty.com
HomeSmart First Class Realty	81 Samoset St Suite 6	Plymouth	MA	2360	Ryan Cook	508.297.7270	ryan@homesmartfirstclassrealty.com
HomeSmart First Class Realty	10 Court St	Taunton	MA	2780	Ryan Cook	508.297.7270	ryan@homesmartfirstclassrealty.com

HomeSmart Heritage Realty	13 Beach Street Extension	Vinyard Haven	MA	2568	Jason Araujo	508.287.2428	jaraujoco@gmail.com
MINNESOTA							
HomeSmart Adventure Realty	1012 Washington Avenue	Detroit Lakes	MN	56501	Robb Johnson	701.729.1848	maver11_ducks@yahoo.com
HomeSmart Sapphire Realty	700 Twelve Oaks Center Dr	Wayzata	MN	55391	Jeff Byrd, Debra O'Donnell	612.223.6319	jeffbyrd@hssapphire.com
MISSOURI							
HomeSmart Legacy	131 S Water St	Liberty	MO	64068	Tim Ray	913.274.1041	tim@hslegacy.com
MONTANA							
HomeSmart Realty Partners	5 West Mendenhall Street	Bozeman	MT	59715	Brian Marincic	970.644.5002	brian@homesmartrp.com
NEVADA							
HomeSmart Encore	9830 W. Tropicana Ave Suite 165	Las Vegas	NV	89147	Todd Larkin, Randel Aleman Sr.	702.579.3300	randeljr@homesmartencore.com
HomeSmart Encore	6955 N Durango Drive #1002	Las Vegas	NV	89149	Todd Larkin, Randel Aleman Sr.	702.579.3300	randeljr@homesmartencore.com
HomeSmart Encore	8985 S Eastern Ave	Las Vegas	NV	89123	Todd Larkin, Randel Aleman Sr.	702.579.3300	randeljr@homesmartencore.com
NEW HAMPSHIRE							
HomeSmart Success Realty	169 S River Rd	Bedford	NH	3110	Munise Ulker	603.932.9300	munise@homesmartsuccessrealty.com
HomeSmart First Choice Realty	149 N. State Street	Concord	NH	3301	Michael Gagne	603.630.0316	michaelgagne1973@gmail.com
HomeSmart Success Realty	39 Main Street	Salem	NH	3079	Munise Ulker	603.932.9300	munise@homesmartsuccessrealty.com
NEW JERSEY							
HomeSmart First Advantage North Jersey	16 Orange Street, Suite 175	Bloomfield	NJ	7003	Bill Halick	973.354.5000	bhalick@homesmartmre.com
HomeSmart First Advantage Realty	498 N Kings Hwy	Cherry Hill	NJ	8034	Hakan Karahan	856.435.3400	hakankarahan@hakankarahan.com
HomeSmart First Advantage North Jersey	341 Broad Street	Clifton	NJ	7013	Bill Halick	978.354.5000	bhalick@homesmartmre.com
HomeSmart First Advantage Realty	4338 Route 9 South	Howell	NJ	7724	Hakan Karahan	856.666.3000	hakankarahan@hakankarahan.com
HomeSmart First Advantage Realty	3310 Long Beach Blvd	Long Beach Township	NJ	8008	Hakan Karahan	609.494.2560	hakankarahan@hakankarahan.com

HomeSmart First Advantage Realty	95 N. Main Street	Mullica Hill	NJ	8062	Hakan Karahan	856.887.3000	hakankarahan@hakankarahan.com
HomeSmart First Advantage Realty	1811 Shore Rd	Northfield	NJ	8225	Hakan Karahan	856.887.3000	hakankarahan@hakankarahan.com
HomeSmart First Advantage North Jersey	87 S Farview Avenue	Paramus	NJ	7652	Bill Halick	973.354.5000	bhalick@homesmartmre.com
HomeSmart Nexus Realty Group	103 Carnegie Center, Suite 300	Princeton	NJ	8540	Bill Kratz, Ken Bello	215.909.7355	bill@homesmartrealtyadvisors.com, kenb@homesmartnrg.com
HomeSmart First Advantage Realty	215 Fries Mill Road	Turnerville	NJ	8012	Hakan Karahan	856.666.3000	hakankarahan@hakankarahan.com
HomeSmart First Advantage Realty	9 White Horse Road East	Voorhees	NJ	8043	Hakan Karahan	856.435.3400	hakankarahan@hakankarahan.com
NEW MEXICO							
HomeSmart Realty Pros	3710 Bosque Plaza Ln.	Albuquerque	NM	87120	Camille Victour	509.962.2121	camille.victour@gmail.com
HomeSmart Realty Pros	6700 Jefferson St NE, Suite A-2	Albuquerque	NM	87109	Camille Victour	505.962.2121	camille.victour@gmail.com
HomeSmart Realty Pros	1660 Old Pecos Trail #1660-C	Santa Fe	NM	87505	Camille Victour	509.962.2121	camille.victour@gmail.com
NEW YORK							
HomeSmart CrossIsland	41 Flatbush Ave	Brooklyn	NY	11217	Arthur Briscoe	718.341.9800	crossislandre@gmail.com
HomeSmart Premier Living Realty	234-21 41st Ave. 2nd Floor	Douglaston	NY	11363	Richard Raspantini	929.487.4001	rraspantini@hspremierliving.com
HomeSmart Homes and Estates	1073 Main St	Fishkill	NY	12525	Chris Carbone	845.547.0005	carbonehometeam@gmail.com
HomeSmart CrossIsland	42 Guy Lombardo Ave. Ste# 205	Freeport	NY	11520	Arthur Briscoe	516.548.7994	crossislandre@gmail.com
HomeSmart Premier Living Realty	150 Motor Parkway Suite 401	Hauppauge	NY	11788	Richard Raspantini	516.234.7244	rraspantini@hspremierliving.com
HomeSmart Premier Living Realty	2780 Middle County Rd. #324	Lake Grove	NY	11755	Richard Raspantini	631.762.3611	rraspantini@hspremierliving.com
HomeSmart Premier Living Realty	535 Broadhollow Road # B46	Melville	NY	11747	Richard Raspantini	631.629.3600	rraspantini@hspremierliving.com
HomeSmart Homes and Estates	400 Rella Blvd # #165	Montebello	NY	10901	Chris Carbone	845.547.0005	carbonehometeam@gmail.com
HomeSmart Homes and Estates	1 Hawkins Drive	Montgomery	NY	12549	Chris Carbone	845.547.0005	carbonehometeam@gmail.com
HomeSmart CrossIsland	242-14 Merrick Blvd	Rosedale	NY	11422	Arthur Briscoe	718.341.9800	crossislandre@gmail.com

HomeSmart Homes and Estates	777 Westchester Avenue	White Plains	NY	10604	Chris Carbone	845.547.0005	carbonehometeam@gmail.com
HomeSmart Premier Living Realty	489A Willis Ave	Williston Park	NY	11596	Richard Raspantini	516.535.9692	rraspantini@hspremierliving.com
NORTH CAROLINA							
HomeSmart Expert Realty	527 Keisler Dr Suite 201	Cary	NC	27518	Jonathan Edmiston	919.583.7711	jedmiston31@gmail.com
HomeSmart Expert Realty	7072 NC Hwy Suite 101	Chapel Hill	NC	27707	Jonathan Edmiston	919.583.7711	jedmiston31@gmail.com
HomeSmart Connections	1106 Gum Branch Rd	Jacksonville	NC	28540	Reva Sullivan	910.378.7737	revasullivan.cre@gmail.com
HomeSmart Expert Realty	4205 Wake Forest Rd. #201	Raleigh	NC	27609	Jonathan Edmiston	919.583.7711	jedmiston31@gmail.com
HomeSmart Expert Realty	3333 Wrightsville Ave #G123	Wilmington	NC	28403	Jonathan Edmiston	919.583.7711	jedmiston31@gmail.com
OHIO							
HomeSmart Real Estate Momentum	3601 Green Rd., Suite 314	Beachwood	OH	44122	Marianne Drenik, Gregory Pernus	444.578.8058	marianne@homesmartohio.com, greg@homesmartohio.com
HomeSmart Real Estate Momentum	108 Cherry Ave.	Chardon	OH	44024	Marianne Drenik, Gregory Pernus	440.578.8058	marianne@homesmartohio.com, greg@homesmartohio.com
HomeSmart Real Estate Momentum	8518 Mentor Ave, Suite C	Mentor	OH	44060	Marianne Drenik, Gregory Pernus	440.578.8058	marianne@homesmartohio.com, greg@homesmartohio.com
HomeSmart Real Estate Momentum	24629 Detroit Rd	Westlake	OH	44145	Marianne Drenik, Gregory Pernus	440.578.8058	marianne@homesmartohio.com, greg@homesmartohio.com
OKLAHOMA							
HomeSmart TuCasa Realty	7200 S. Pennsylvania Avenue	Oklahoma City	OK	73159	Tomas Barrientos	918.960.8492	tomas@tucasarealtyllc.com
HomeSmart TuCasa Realty	5505 E 51st Street	Tulsa	OK	74135	Tomas Barrientos	918.960.8492	tomas@tucasarealtyllc.com
OREGON							
HomeSmart Realty Group	728 Northwest Kings Blvd	Corvallis	OR	97330	Jim Sparkman, Mark Farrow	971.599.5865	owners@hsmartrealtygroup.com
HomeSmart Realty Group	3975 River Road North, Suite 3	Keizer	OR	97303	Jim Sparkman, Mark Farrow	971.599.5865	owners@hsmartrealtygroup.com
HomeSmart Realty Group	3240 Commercial St SE, Ste. 100	Salem	OR	97302	Jim Sparkman, Mark Farrow	971.599.5865	owners@hsmartrealtygroup.com
HomeSmart Realty Group	582 East Washington Street	Stayton	OR	97383	Jim Sparkman, Mark Farrow	971.599.5865	owners@hsmartrealtygroup.com

HomeSmart Realty Group	18041 SW Lower Boone's Ferry Rd. Suite 5, Building F	Tigard	OR	97224	Jim Sparkman, Mark Farrow	971.599.5865	owners@hsmartrealtygroup.com
PENNSYLVANIA							
HomeSmart Nexus Realty Group	488 Norristown Rd, Suite 240	Blue Bell	PA	19422	Bill Kratz, Ken Bello	215.909.7355	bill@homesmartrealtyadvisors.com, kenb@homesmartnrg.com
HomeSmart Realty Advisors	600 Eagleview Rd, Sutie 300	Exton	PA	19341	Robert Foglio, Bill Kratz	215.604.1191	rob@homesmartrealtyadvisors.com, bill@homesmartrealtyadvisors.com
HomeSmart Nexus Realty Group	501 Corporate Drive	Langhorne	PA	19047	Bill Kratz, Ken Bello	215.909.7355	bill@homesmartrealtyadvisors.com, kenb@homesmartnrg.com
HomeSmart Realty Advisors	2424 E York St, # 213	Philadelphia	PA	19125	Robert Foglio, Bill Kratz	215.604.1191	rob@homesmartrealtyadvisors.com, bill@homesmartrealtyadvisors.com
RHODE ISLAND							
HomeSmart Professionals Real Estate	936 Aquidneck Ave, Suite 1A	Middletown	RI	2842	Dean de Tonnancourt	401.921.5011	dean@leadingyouhome.com
HomeSmart Professionals Real Estate	550 Douglas Pike	Smithfield	RI	2917	Dean de Tonnancourt	401.921.5011	dean@leadingyouhome.com
HomeSmart Professionals Real Estate	386 Market Street	Warren	RI	2885	Dean de Tonnancourt	401.921.5011	dean@leadingyouhome.com
HomeSmart Professionals Real Estate	100 Quaker Lane	Warwick	RI	2886	Dean de Tonnancourt	401.921.5011	dean@leadingyouhome.com
SOUTH CAROLINA							
HomeSmart Expert Realty	1000 Sea Mountain Highway	North Myrtle Beach	SC	29582	Jonathan Edmiston	919.583.7711	jedmiston31@gmail.com
SOUTH DAKOTA							
HomeSmart Adventure Realty	101 S. Reid St	Sioux Falls	SD	57103	Robb Johnson		
TEXAS							
HomeSmart Stars	5717 Legacy Drive, Suite 250	Plano	TX	75024	Brenda Thompson	972.798.5333	Brenda@HomeSmartStars.com
WASHINGTON							
HomeSmart One Realty	3204 Smokey Point Drive	Arlington	WA	98223	Darren Johnson	360.738.9086	darren@hsonerealty.com
HomeSmart Real Estate Associates	11900 NE 1st St, # 300	Bellevue	WA	98004	Teri Jones	206.523.7653	teri@hsreassociates.com
HomeSmart One Realty	414 E Bakerview RD #103	Bellingham	WA	98226	Darren Johnson	360.738.9086	darren@hsonerealty.com

HomeSmart Real Estate Associates	22722 29th Dr SE#100	Bothell	WA	98021	Teri Jones	206.523.7653	teri@hsreassociates.com
HomeSmart One Realty	16329 Cascadian Way	Bothell	WA	98012	Darren Johnson	360.778.9044	darren@hsonerealty.com
HomeSmart One Realty	713 SE Everett Mall Way, Suite E	Everett	WA	98208	Darren Johnson	360.778.9044	darren@hsonerealty.com
HomeSmart Elite Brokers	636 N Colorado Street	Kennewick	WA	99336	Jeff Smart, Dave Shinabarger	509.371.9285	jeff@thesmartrealty.com, dave@davetricities.com
HomeSmart Elite Brokers	1845 Broadway	Moses Lake	WA	98837	Jeff Smart, Dave Shinabarger	509.371.9285	jeff@thesmartrealty.com, dave@davetricities.com
HomeSmart One Realty	811 Cleveland Suite #8	Mount Vernon	WA	98273	Darren Johnson	360.778.9044	darren@hsonerealty.com
HomeSmart Real Estate Associates	309 NE 103rd St	Seattle	WA	98125	Teri Jones	206.523.7653	teri@hsreassociates.com
HomeSmart One Realty	601 W 1st Ave Suite 1400	Spokane	WA	99201	Darren Johnson	360.778.9044	darren@hsonerealty.com
HomeSmart Elite Brokers	Using Kennewick Address	Spokane	WA	99336	Jeff Smart, Dave Shinabarger	509.371.9285	jeff@thesmartrealty.com, dave@davetricities.com
HomeSmart Real Estate Associates	1201 Pacific Avenue, # 600	Tacoma	WA	98402	Teri Jones	253.627.7653	teri@hsreassociates.com
HomeSmart Realty Group	237 NE Chkalov Dr. Ste 201	Vancouver	WA	98684	Jim Sparkman, Mark Farrow	971.599.5865	owners@hsmartrealtygroup.com
HomeSmart Elite Brokers	Using Kennewick Address	Yakima	WA	99336	Jeff Smart, Dave Shinabarger	509.371.9285	jeff@thesmartrealty.com, dave@davetricities.com
WISCONSIN							
HomeSmart Leading Edge	3812 Roosevelt Road	Kenosha	WI	53142	Kate Bak, Scott Eberle	224.801.4283	scotteberlesells@gmail.com
WYOMING							
HomeSmart Realty Group	1432 E 2nd Street	Casper	WY	82601	Brian Marincic	307.382.9180	brian@ch4rg.com
HomeSmart Realty Group	639 Pilot Butte Avenue, # B	Rock Springs	WY	82901	Brian Marincic	307.371.3308	brian@ch4rg.com

COMPANY OWNED AS OF DECEMBER 31, 2022							
Location	**Owner**	**Address**	**City**			**Office #**	**Contact Email**
ARIZONA							
HomeSmart Chandler	6909 W Ray Road, Suite #21	Chandler	AZ	85050	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Gilbert	2680 South Val Vista Drive, Suite 101	Gilbert	AZ	85295	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Arrowhead	17215 North 72nd Drive, Bldg B, Suite 115	Glendale	AZ	85308	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Goodyear	13166 West McDowell Road, Suite B	Goodyear	AZ	85395	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Mesa	1839 South Alma School Road, Suite 141	Mesa	AZ	85210	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Northeast Mesa	2913 N Power Rd, Suite 101	Mesa	AZ	85210	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Reyes	9800 W. Peoria Ave	Peoria	AZ	85345	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Tamayo	10265 W Camelback Rd, Suite 130	Phoenix	AZ	85037	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Arcadia	4040 East Camelback Road, Suite 165	Phoenix	AZ	85018	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Central	5225 North Central Avenue, Suite 104	Phoenix	AZ	85012	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Tolleson	7537 W Thomas Rd, Suite B16	Phoenix	AZ	85033	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Corporate	8388 E Hartford Dr, Suite 100	Scotssdale	AZ	85255	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Scottsdale	10601 North Hayden Road, Suite I-100	Scottsdale	AZ	85260	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Terravita	33725 N Scottsdale Rd #130	Scottsdale	AZ	85267	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Surprise	15543 North Reems Road, Suite 139	Surprise	AZ	85374	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Tempe	4500 S Lakeshore Dr, Suite 349	Tempe	AZ	85282	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Wickenburg	162 E Wickenburg Way	Wickenburg	AZ	85332	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Avila	1455 S 4th Ave, Suite 1	Yuma	AZ	85364	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart Olvera	291 S Main St E	Yuma	AZ	85364	Matt Widdows	602.230.7600	mwiddows@hsmove.com
CALIFORNIA							
HomeSmart La Quinta	47060 Washington Street, Suite #5101	La Quinta	CA	92253	Matt Widdows	760.844.7500	mwiddows@hsmove.com
HomeSmart Palm Desert	73-301 Fred Waring Drive	Palm Desert	CA	92260	Matt Widdows	760.844.7500	mwiddows@hsmove.com
HomeSmart Palm Springs	431 S. Palm Canyon Dr.	Palm Springs	CA	92262	Matt Widdows	760.844.7500	mwiddows@hsmove.com
HomeSmart Litton	601 East Tahquitz Canyon Way	Palm Springs	CA	92262	Matt Widdows	760.844.7500	mwiddows@hsmove.com
COLORADO							

HomeSmart Aurora	10800 Bethany Dr #100	Aurora	CO	80014	Matt Widdows	303.858.8100	mwiddows@hsmove.com
HomeSmart Boulder	1790 38th St. Suite 106	Boulder	CO	80301	Matt Widdows	303.858.8100	mwiddows@hsmove.com
HomeSmart Castle Rock	240 Wilcox Street, Unit 100	Castle Rock	CO	80104	Matt Widdows	303.858.8100	mwiddows@hsmove.com
HomeSmart Colorado Springs	7222 Commerce Center Dr, Suite 120	Colorado Springs	CO	80919	Matt Widdows	303.858.8100	mwiddows@hsmove.com
HomeSmart Vivi	566 Inca Street	Denver	CO	80204	Matt Widdows	303.858.8100	mwiddows@hsmove.com
HomeSmart Greenwood Village	8300 E Maplewood Ave, Ste. 100	Greenwood Village	CO	80111	Matt Widdows	303.858.8100	mwiddows@hsmove.com
HomeSmart Lakewood	445 Union Blvd, Suite 106	Lakewood	CO	80228	Matt Widdows	303.858.8100	mwiddows@hsmove.com
HomeSmart Littleton	801 W. Mineral Ave. #101	Littleton	CO	80120	Matt Widdows	303.858.8100	mwiddows@hsmove.com
HomeSmart Westminster	8774 Yates Dr #100	Westminster	CO	80031	Matt Widdows	303.858.8100	mwiddows@hsmove.com
HomeSmart Woodland Park	800 E Hwy 24, Suite B	Woodland Park	CO	80863	Matt Widdows	303.858.8100	mwiddows@hsmove.com
DELAWARE							
HomeSmart Delaware	1000 N. West Street, Suite 1200	Wilmington	DE	19801	Matt Widdows	301.434.4065	mwiddows@hsmove.com
FLORIDA							
HomeSmart Orlando	710 E Colonial Dr.	Orlando	FL	32803	Matt Widdows	407.476.0461	mwiddows@hsmove.com
HomeSmart Seminole	6121 Seminole Boulevard	Seminole	FL	33772	Matt Widdows	407.476.0461	mwiddows@hsmove.com
HomeSmart Tampa	8270 Woodland Center Blvd, Suite 156	Tampa	FL	33614	Matt Widdows	407.476.0461	mwiddows@hsmove.com
GEORGIA							
PalmerHouse Properties Alpharetta	5755 North Point Parkway, Suite 16	Alpharetta	GA	30022	Matt Widdows	678.949.9105	mwiddows@hsmove.com
PalmerHouse Properties Atlanta	2911 Piedmont Road, NE	Atlanta	GA	30305	Matt Widdows	678.949.9105	mwiddows@hsmove.com
PalmerHouse Properties Atlanta Druid Hills	2800 N. Druid Hills Rd, NE	Atlanta	GA	30329	Matt Widdows	678.949.9105	mwiddows@hsmove.com
PalmerHouse Properties Chickamauga	123 Gordon Street	Chickamauga	GA	30707	Matt Widdows	678.949.9105	mwiddows@hsmove.com
PalmerHouse Properties Decatur	201 W Ponce De Leon Ave, Suite 10	Decatur	GA	30030	Matt Widdows	678.949.9105	mwiddows@hsmove.com
PalmerHouse Properties Berch	2806 Lavista Road	Decatur	GA	30033	Matt Widdows	678.949.9105	mwiddows@hsmove.com
PalmerHouse Properties Duluth	3200 Peachtree Industrial Blvd.	Duluth	GA	30096	Matt Widdows	678.949.9105	mwiddows@hsmove.com

PalmerHouse Properties Midtown	905 Juniper St. NE Suite 110	Juniper	GA	30309	Matt Widdows	678.949.9105	mwiddows@hsmove.com
PalmerHouse Properties Sugarloaf	1735 N. Brown Rd, Suite 175	Lawrenceville	GA	30043	Matt Widdows	678.949.9105	mwiddows@hsmove.com
PalmerHouse Properties Marietta	47 Waddell St, Suite 120	Marietta	GA	30060	Matt Widdows	678.949.9105	mwiddows@hsmove.com
PalmerHouse Properties Tucker	4500 Hugh Howell Rod, Ste 560	Tucker	GA	30084	Matt Widdows	678.949.9105	mwiddows@hsmove.com
KENTUCKY							
HomeSmart Kentucky	TBD	TBD	KY		Matt Widdows	602.230.7600	mwiddows@hsmove.com
MAINE							
HomeSmart Maine	1486 Broadway	South Portland	ME	4106	Matt Widdows	207.292.2800	mwiddows@hsmove.com
MARYLAND							
HomeSmart Bowie	16901 Melford Blvd. #121	Bowie	MD	20715	Matt Widdows	301.434.4065	mwiddows@hsmove.com
HomeSmart Columbia	8840 Columbia 100 Pkwy #110	Columbia	MD	21045	Matt Widdows	301.434.4065	mwiddows@hsmove.com
HomeSmart Silver Spring	57 Randolph Rd.	Silver Spring	MD	20903	Matt Widdows	301.434.4065	mwiddows@hsmove.com
HomeSmart Waldorf	1 Post Office Road, Suite 101	Waldorf	MD	20603	Matt Widdows	301.434.4065	mwiddows@hsmove.com
MICHIGAN							
HomeSmart Michigan	135 N Old Woodward Ave #200	Birmingham	MI	48009	Matt Widdows	602.230.7600	mwiddows@hsmove.com
NORTH CAROLINA							
PalmerHouse Properties	227 W 4th Street	Charlotte	NC	28002	Matt Widdows	678.949.9105	mwiddows@hsmove.com
TEXAS							
HomeSmart - Arlington	1200 Florida Drive	Arlington	TX	76015	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart - Austin	9600 Great Hills Trail Ste 150 W	Austin	TX	78759	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart - Dallas	5956 Sherry Lane	Dallas	TX	75225	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart - Fort Worth	4500 Mercantile Plaza Ste 300	Fort Worth	TX	76137	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart - Houston West	738 Highway 6th S	Houston	TX	77079	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart - Houston Galleria	1001 West Loop South	Houston	TX	77027	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart - Pearland	11200 Broadway	Pearland	TX	77584	Matt Widdows	602.230.7600	mwiddows@hsmove.com
HomeSmart - San Antonio	1100 NW Loop 410 Ste 700	San Antonio	TX	78213	Matt Widdows	602.230.7600	mwiddows@hsmove.com

HomeSmart - The Woodlands	26119 I-45 North	The Woodlands	TX	77380	Matt Widdows	602.230.7600	mwiddows@hsmove.com
VERMONT							
HomeSmart Vermont	1 Lawson Lane	Burlington	VT	5401	Matt Widdows	602.230.7600	mwiddows@hsmove.com
WEST VIRGINIA							
HomeSmart West Virginia	3501 MacCorkle Ave SE	Charleston	WV	25304	Matt Widdows	602.230.7600	mwiddows@hsmove.com

FRANCHISEES WHO FRANCHISE AGREEMENTS WERE TRANSFERRED, TERMINATED, CANCELED, NOT RENEWED, OR OTHERWISE VOLUNTARILY OR INVOLUNTARILY CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT DURING THE MOST RECENTLY COMPLETED FISCAL YEAR

Location	Address	City	State	Zip	Owner	Office Phone	Contact Email
HomeSmart Properties	825 Lucas Rd Suite E	Wasilla	AK	99654	Matt Widdows	602.230.7600	rduncan@hsmove.com
HomeSmart Legends	41823 Enterprise circle N, Ste 130	Temecula	CA	92590	Skip Bettarel, Luis Jubany	951.491.7800	skip@homesmartca.com
HomeSmart Legends	701 S Main Avenue	Fallbrook	CA	92028	Skip Bettarel, Luis Jubany	760.451.1600	skip@homesmartca.com
HomeSmart Evergreen Realty	1397 Calle Avanzado	San Clemente	CA	92673	Randy Rector, Tina Rector	909.527.8252	randy.rector@rrector.com
HomeSmart Real Estate Associates	1800 N. Military Trail #160	Boca Raton	FL	33431	Roger Herman	720.530.6100	roger@milehighnexus.com
HomeSmart Heritage Realty	554 Pleasant St	New Bedford	MA	2740	Jason Araujo	508.287.2428	jaraujoco@gmail.com
HomeSmart St. Louis	222 S Meramec Avenue, Suite 202-1092	St. Louis	MO	63105	Matt Widdows	678.949.9105	rduncan@hsmove.com
HomeSmart Top Professionals	23773 Detroit Rd.	Westlake	OH	44145	Brian Walsh	440.925.2000	bgw@rmxpros.com
HomeSmart Fine Properties	4217 N McColl Rd #100A	McAllen	TX	78504	Chuck Poteet, Suzanne Poteet	713.461.1230	chuck@hsfine.com
HomeSmart Fine Properties	770 S. Post Oak Lane #100	Houston	TX	77056	Chuck Poteet, Suzanne Poteet	713.461.1230	chuck@hsfine.com
HomeSmart Fine Properties	9595 Six Pines Dr, Suite 8210	Houston	TX	77380	Chuck Poteet, Suzanne Poteet	713.461.1230	chuck@hsfine.com

FRANCHISEES WHO HAVE SIGNED BUT DID NOT OPEN AS OF DECEMBER 31, 2022

Location	Date Signed	City	State	Owner	Contact Email
HomeSmart Optima Realty	2/8/2022	Vallejo	CA	Michael Awadalla	925.270.0520
HomeSmart Connect	11/9/2022	Lake Geneva	IL	Bill Flemming	847.495.5000
HomeSmart Realty South	6/10/2022	TBD	LA	Vickye Vasser	985.869.7653
TBD	9/20/2022	Outer Banks	NC	Chris and Emily Kerwood	440.823.3264
HomeSmart Dynamic	11/17/2022	Bohemia	NY	Mike Ferrara	929.487.4001
HomeSmart Premier Living	10/25/2022	Happauge	NY	Richard Raspantini	929.487.4001

Exhibit D to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
Directory of State Agencies and Administrators

LIST OF STATE ADMINISTRATORS

Federal Franchise Regulators:
Federal Trade Commission
Division of Marketing Practices
Seventh and Pennsylvania Avenues, N.W., Room 238
Washington, DC 20580
202-326-2970

CALIFORNIA:
Department of Financial Protection and Innovation
1-866-275-2677

Los Angeles
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500

Sacramento
2101 Arena Blvd.
Sacramento, CA 95834
(916) 445-7205

San Diego
1455 Frazee Road, Suite 315
San Diego, CA 92108
(619) 610-2093
(866) 275-2677

San Francisco
One Sansome Street, Suite 600
Sam Francisco, CA 94104
(415) 972-8559

HAWAII:
Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS:
Illinois Attorney General
500 South Second Street
Springfield, IL 62706
(217) 782-4465

INDIANA:
Securities Commissioner
Securities Division, Room E-111
302 West Washington Street
Indianapolis, IN 46204
(317) 232-6681

MARYLAND:
Office of the Attorney General, Division of Securities
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

MICHIGAN:
Kathryn Barron
Franchise Administrator Antitrust and Franchise Unit
Consumer Protection Division
Department of Attorney General
670 Law Building
525 W. Ottawa Street
Lansing, MI 48913
(517) 373-7117

MINNESOTA:
Commissioner
Department of Commerce
85 7th Place East, Suite #280
St. Paul, MN 55101
(651) 539-1600

NEW YORK:
NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Fl
New York, NY 10005
212-416-8222

NORTH DAKOTA:
North Dakota Securities Department
State Capitol, 5th Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0510
(701) 328-2910

OREGON:
Div. of Finance & Corp. Securities
(608) 266-8557
Department of Consumer & Business Services, Room 410
350 Winter Street, NE
Salem, OR 97301-3881
(503) 378-4140

RHODE ISLAND:
Department of Business Regulation
Securities Division
Bldg. 69, First Floor
John O. Pasture Center
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9585

SOUTH DAKOTA:
Franchise Administrator
Division of Insurance
Securities Regulation
124 South Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

VIRGINIA:
State Corporation Commission
Division of Securities &
Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

WASHINGTON:
Securities Division
Department of Financial Institutions
150 Israel Road, SW
Tumwater, WA 98501
(360) 902-8760

WISCONSIN:
Division of Securities
Bureau of Regulation & Enforcement
Department of Financial Institutions, 4th Floor
345 W. Washington Avenue
Madison, WI 53703

LIST OF AGENTS FOR SERVICE OF PROCESS

CALIFORNIA
Commissioner of
Department of Financial Protection and Innovation
2101 Arena Blvd.
Sacramento 95834
www.dfpi.ca.gov and email, Ask.DFPI@dfpi.ca.gov.

DELAWARE
Corporation Service Company
251 Little Falls Drive
Wilmington, Delaware 19808

HAWAII
Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS
Illinois Attorney General
500 South Second Street
Springfield, IL 62706

INDIANA
Securities Commissioner
Indiana Secretary of State
201 State House
Indianapolis, IN 46204

MARYLAND
Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020
410.576.6360

MICHIGAN
Michigan Department of Commerce
Corporations and Securities Bureau
6546 Mercantile Way
Lansing, MI 48910

MINNESOTA
Minnesota Commissioner of Commerce
85 7th Place East, Suite #280
St. Paul, MN 55101
651-539-1600

NEW YORK
New York Secretary of State
99 Washington Avenue
Albany, NY 12231-0001

NORTH DAKOTA
Securities Commissioner of North Dakota
State Capitol, 5th Floor
600 East Boulevard Avenue
Bismarck, ND 58505

OREGON
Director of the Department of Consumer and
Business Services
350 Winter Street NE, Room 410
Salem, OR 97301-3881

RHODE ISLAND
Director of Department of Business Regulation
Securities Division
John O. Pastore Center, Bldg. 69, 1st Floor
1511 Pontiac Avenue
Cranston, RI 02920
(401) 462-9585

SOUTH DAKOTA
Director
Division of Insurance
Securities Regulation
124 S. Euclid Suite 104
Pierre, SD 57501
(605) 773-3563

VIRGINIA
Clerk, Virginia State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219
(804) 371.9733

WASHINGTON
Director, Securities Division
Department of Financial Institutions
150 Israel Road, SW
Tumwater, WA 98501

WISCONSIN
Wisconsin Commissioner of Securities
Department of Financial Institutions, 4th Floor
345 W. Washington Avenue
Madison, WI 53703

Exhibit E to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
STATE-SPECIFIC ADDENDA

STATE LAW ADDENDA TO
FRANCHISE DISCLOSURE DOCUMENT
AND FRANCHISE AGREEMENT

The Franchise Disclosure Document and the Franchise Agreement dated _____, 20___ are amended as specified for each state as follows:

CALIFORNIA

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Franchise Disclosure Document.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

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

The Franchise Agreement requires you to sign a general release of claims if you transfer your franchise or your Area Development Agreement. California corporations code § 31512 voids a waiver of your rights under the franchise investment law (California corporations code §§ 31000 through 31516). Business and professions code § 20010 voids a waiver of your rights under the franchise relations act (business and professions code §§ 20000 through 20043).

Section 31125 of the California Franchise Investment Law requires us to give to you a disclosure document approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of the Franchise Agreement.

Neither the Franchisor, any person or franchise broker in ITEM 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling persons from membership in association or exchange.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 and the following).

The Franchise Agreement requires binding arbitration. The arbitration will occur in Scottsdale, Arizona and each party will bear all of its own costs and attorneys' fees and one-half of the arbitrator's expenses. *Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a Franchise Agreement restricting venue to a forum outside the State of California.*

The Franchise Agreement requires application of the laws of Arizona. This provision may not be enforceable under California law.

The following URL address is for the Franchisor's website:

www.homesmartinternational.com

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.

Item 5 of the Franchise Disclosure Document is amended for California residents or HomeSmart businesses located in California as follows:

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the California Department of Financial Protection and Innovation due to Franchisor's current financial condition.

Section 6.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

Franchisee will pay a non-recurring initial franchise fee of $20,000 ("**Initial Franchise Fee**") The Initial Franchise Fee will be paid by means of cashier's check, money order or wire transfer. The Initial Franchise Fee is deemed fully earned by the Franchisor when paid. The Initial Franchise Fee is non-refundable once paid except as provided for in Section 6.1. Any fee paid by Franchisee to Franchisor in connection with Franchisee's application to Franchisor for approval to become a franchisee will be credited, in full, towards the Initial Franchise Fee. The Initial Franchise Fee will be non-refundable unless the Franchisor elects to refund all or a portion of the Initial Franchise Fee to Franchisee.

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the California Department of Financial Protection and Innovation due to Franchisor's current financial condition.

The following sentence is added to the end of Section 7.7:

The interest rate charged on unpaid amounts will not exceed the maximum rate permitted by applicable state law. In California, the maximum interest rate on unpaid amounts is ten percent (10%) per year.

HAWAII

Special Risk(s) to Consider About This Franchise

The following is added to the Cover Page:

THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.

The following list reflects the status of the franchise registrations of the Franchisor in the states that require registration:

1. This proposed registration is effective in the following states:

2. This proposed registration is or will shortly be on file in the following states: California, Florida, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Utah, Washington, and Wisconsin.

3. States which have refused, by order or otherwise, to register these franchises are:

None

4. States that have revoked or suspended the right to offer the franchises are:

None

5. States in which the proposed registration of these franchises has been withdrawn are:

None

ITEM 5 of the Franchise Disclosure Document and Section 6.1 of the Franchise Agreement are amended to provide that payment of Initial Franchise Fees are deferred until after Franchisor's pre-opening obligations are met and Franchisee's Business is open and operating, as imposed by the State of Hawaii Department of Commerce and Consumer Affairs based on Franchisor's financial condition.

ILLINOIS

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.

Franchisees' 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 of Illinois is void.

Payment of the Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. The financial assurance requirement was imposed by the Office of the Attorney General due to Franchisor's financial condition.

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

INDIANA

The "Summary" column in ITEM 17(r) of the Franchise Disclosure Document is deleted and the following is inserted in its place:

No competing business for two (2) years within the Territory.

The "Summary" column in ITEM 17(t) of the Franchise Disclosure Document is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The "Summary" column in ITEM 17(v) of the Franchise Disclosure Document is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Arizona. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The "Summary" column in ITEM 17(w) of the Franchise Disclosure Document is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Arizona law applies.

Section 14.2(b) of the Franchise Agreement is deleted in its entirety and the following is substituted in its place:

14.2(b) Non-Competition. Upon termination or expiration of the Term or any renewal Terms, or the transfer, sale or assignment of this Agreement by the Franchisee, neither the Franchisee, the Designated Business Manager or the Franchisee's owners will have any direct or indirect interest (i.e. through a relative) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, for two (2) years, in any Competitive Business in the Territory.

Section 20.1 of the Franchise Agreement is deleted in its entirety and the following is substituted in its place:

20.1 Except as otherwise provided in this Section, any controversy or dispute arising out of, or relating to the franchise or this Agreement including, but not limited to, any claim by the Franchisee or any person in privity with or claiming through, on behalf of or in the right of the Franchisee, concerning the entry into, performance under, or termination of, this Agreement or any other agreement entered into by the Franchisor, or its subsidiaries or Affiliates, and the Franchisee, any claim against a past or present employee, officer, director, member, shareholder or agent of the Franchisor; any claim of breach of this Agreement; and any claims arising under State or Federal laws, will be submitted to final and binding arbitration as the sole and exclusive remedy for any such controversy or dispute. "Persons in privity" with or claiming through, on behalf of or in the right of the Franchisee include but are not limited to, spouses and other family members, heirs, executors, representatives, successors and assigns. Subject to this Section, the right and duty of the parties to this Agreement to resolve any disputes by arbitration will be governed exclusively by the Federal Arbitration Act, as amended, and arbitration will take place according to the commercial

arbitration rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. The arbitration will be held in the state of Arizona. However, arbitration will not be used for any dispute which involves the Franchisee's continued usage of any of the Proprietary Marks or the System, business concept or any issue involving injunctive relief against the Franchisee or any issues related to disclosure or misuse of Confidential Information or Trade Secrets, all of which issues will be submitted to a court within the State of Indiana. The parties expressly consent to personal jurisdiction in the State of Indiana and agree that such court(s) will have exclusive jurisdiction over any such issues not subject to arbitration. This language has been included in this Franchise Agreement as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, are fully enforceable. The Franchisor and Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions, and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The first sentence in Section 21.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act, or other applicable federal law, this Agreement will be interpreted under the laws of the State of Arizona, and any dispute between the parties will be governed by and determined in accordance with the substantive laws of the State of Arizona, which laws will prevail in the event of any conflict of law.

Section 6, first paragraph of the Nondisclosure and Noncompetition Agreement deleted in its entirety and the following is substituted in its place:

6. Post-Termination Covenant Not to Compete. Upon termination or expiration of the Franchise Agreement for any reason, Associate agrees that, for a period of 2 years commencing on the effective date of termination or expiration of the Franchise Agreement, Associate will not have any direct or indirect interest (through any immediate family member of Associate or its beneficial owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business, located or operating in the Territory.

Section 11 of the Nondisclosure and Noncompetition Agreement deleted in its entirety and the following is substituted in its place:

11. Governing Law. Except to the extent governed by the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Act, this instrument will be governed by and construed under the laws of the state of Arizona.

Section 12 of the Nondisclosure and Noncompetition Agreement, "Jurisdiction and Venue," is deleted in its entirety and the following is substituted in its place:

12. Jurisdiction and Venue. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Indiana, and irrevocably agrees that venue for any action or proceeding will be in the state and federal courts of Indiana. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Indiana. Notwithstanding the foregoing, in the event that the laws of the state where the Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's law will control.

MARYLAND

ITEM 5 of the Franchise Disclosure Document is amended as follows:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

ITEM 17 of the Franchise Disclosure Document and the Franchise Agreement are amended to the effect that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement is amended by the addition of the following language:

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

Representations in the Statement of Franchisee and the Acknowledgement therein are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

ITEM 17 of the Franchise Disclosure Document and sections of the Franchise Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration & Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

ITEM 22 Acknowledgement of the Franchise Agreement is deleted in its entirety.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).

FRANCHISOR:	**FRANCHISEE:**
HOMESMART INTERNATIONAL, LLC	_____
_____	_____
Signature	Signature
By: _____	By: _____
Its: _____	Its: _____

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 your right to join an association of franchisees.

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

(c) A provision that permits us to terminate a franchise prior to the expiration of its term except for good cause. Good cause includes your failure 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 us to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applied only if: (i) the term of the franchise is less than 10 years and (ii) you are 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 you do not receive at least 6 months advance notice of our intent not to renew the franchise.

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

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

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

(i) The failure of the proposed transferee to meet our then current reasonable qualifications or standards.

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

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

(iv) Your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us 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 us the right to acquire the assets of a franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

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

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attn: Franchise
670 Law Building
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

MINNESOTA

Minn. Stat. Sec. 80C.21 may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, as provided for in Minn. Rule 2860.4400J, nothing in the Franchise Disclosure Document or Franchise Agreement requires a franchisee to waive any of his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or, to consent to liquidated damages, termination penalties, or judgment notes; provided that the requirement to arbitrate, as set forth in Section 20 of the Franchise Agreement is enforceable. The franchisee cannot consent to the Franchisor obtaining injunctive relief. The Franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

ITEM 5 of the Franchise Disclosure Document is amended as follows:

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisee and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the Minnesota Department of Commerce due to Franchisor's current financial condition.

Section 6.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

Franchisee will pay a non-recurring initial franchise fee of $20,000 ("**Initial Franchise Fee**") The Initial Franchise Fee will be paid by means of cashier's check, money order or wire transfer. The Initial Franchise Fee is fully earned by the Franchisor when paid. The Initial Franchise Fee is non-refundable once paid except as provided for in Section 6.1. Any fee paid by Franchisee to Franchisor in connection with Franchisee's application to Franchisor for approval to become a franchisee will be credited, in full, towards the Initial Franchise Fee. The Initial Franchise Fee will be non-refundable unless the Franchisor elects to refund all or a portion of the Initial Franchise Fee to Franchisee.

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the Minnesota Department of Commerce due to Franchisor's current financial condition.

ITEM 13 of the Franchise Disclosure Document and Section 11.3(a) the Franchise Agreement are amended to state that we will protect you against claims of infringement or unfair competition regarding your use of the Marks when your right to use the Marks requires protection.

The Franchise Disclosure Document and Franchise Agreement are amended to state that we will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require except in certain specific cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a general release. The Franchise Disclosure Document and Franchise Agreement are modified accordingly, to the extent required by Minnesota law.

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 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 with the franchise.

NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

   THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is 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 the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

   However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":

> You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of law**":

> The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

NORTH DAKOTA

Sections of the Franchise Disclosure Document and Franchise Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and or assignment, may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

The Franchise Agreement and Non-Disclosure and Non-Competition Agreement, contain a covenant not to compete, which may not be enforceable under North Dakota law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement relating to choice of law, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to liquidated damages and/or termination penalties, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to a waiver of trial by jury, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Section of the Franchise Disclosure Document and Franchise Agreement requiring you to consent to a waiver of exemplary and punitive damages, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 5 of the Franchise Disclosure Document is amended for North Dakota residents or HomeSmart businesses located in North Dakota as follows:

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the North Dakota Securities Department due to Franchisor's current financial condition.

Section 6.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

Franchisee will pay a non-recurring initial franchise fee of $20,000 ("**Initial Franchise Fee**") The Initial Franchise Fee will be paid by means of cashier's check, money order or wire transfer. The Initial Franchise Fee is deemed fully earned by the Franchisor when paid. The Initial Franchise Fee is non-refundable once paid except as provided for in Section 6.1. Any fee paid by Franchisee to Franchisor in connection with Franchisee's application to Franchisor for approval to become a franchisee will be credited, in full, towards the Initial Franchise Fee. The Initial Franchise Fee will be non-refundable unless the Franchisor elects to refund all or a portion of the Initial Franchise Fee to Franchisee.

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the North Dakota Securities Department due to Franchisor's current financial condition.

RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act." The Franchise Disclosure Document and Franchise Agreement are amended accordingly to the extent required by law.

The above language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

SOUTH DAKOTA

Item 5 of the Franchise Disclosure Document is amended for South Dakota residents or HomeSmart businesses located in South Dakota as follows:

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the South Dakota Department of Labor and Regulation, Division of Securities due to Franchisor's current financial condition.

Section 6.1 of the Franchise Agreement is deleted in its entirety and replaced with the following:

Franchisee will pay a non-recurring initial franchise fee of $20,000 ("**Initial Franchise Fee**") The Initial Franchise Fee will be paid by means of cashier's check, money order or wire transfer. The Initial Franchise Fee is deemed fully earned by the Franchisor when paid. The Initial Franchise Fee is non-refundable once paid except as provided for in Section 6.1. Any fee paid by Franchisee to Franchisor in connection with Franchisee's application to Franchisor for approval to become a franchisee will be credited, in full, towards the Initial Franchise Fee. The Initial Franchise Fee will be non-refundable unless the Franchisor elects to refund all or a portion of the Initial Franchise Fee to Franchisee.

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its pre-opening obligations to Franchisor and Franchisee has commenced doing business under the Marks. This financial assurance requirement was imposed by the South Dakota Department of Labor and Regulation, Division of Securities due to Franchisor's current financial condition.

VIRGINIA

Item 5 of the Franchise Disclosure Document is amended for Virginia residents or HomeSmart businesses located in Virginia as follows:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee and other initial payments owned by franchisees to the franchisor until the Franchisor has completed its pre-opening obligations under the franchise agreement.

The following sentence is added to the end of Section 6.1 of the Franchise Agreement:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee and other initial payments owned by franchisees to the Franchisor until the Franchisor has completed its pre-opening obligations under the franchise agreement.

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, STATEMENT OF FRANCHSEE AND RELATED AGREEMENTS

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.

<u>The following sentence is added to Item 5 of the Franchise Disclosure Document and the end of Section 6.1 of the Franchise Agreement</u>

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISOR:	**FRANCHISEE:**
HOMESMART INTERNATIONAL, LLC	_____
_____	_____
Signature	Signature
By: _____	By: _____
Its: _____	Its: _____

Exhibit F to Franchise Disclosure Document
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"Steps to Success"

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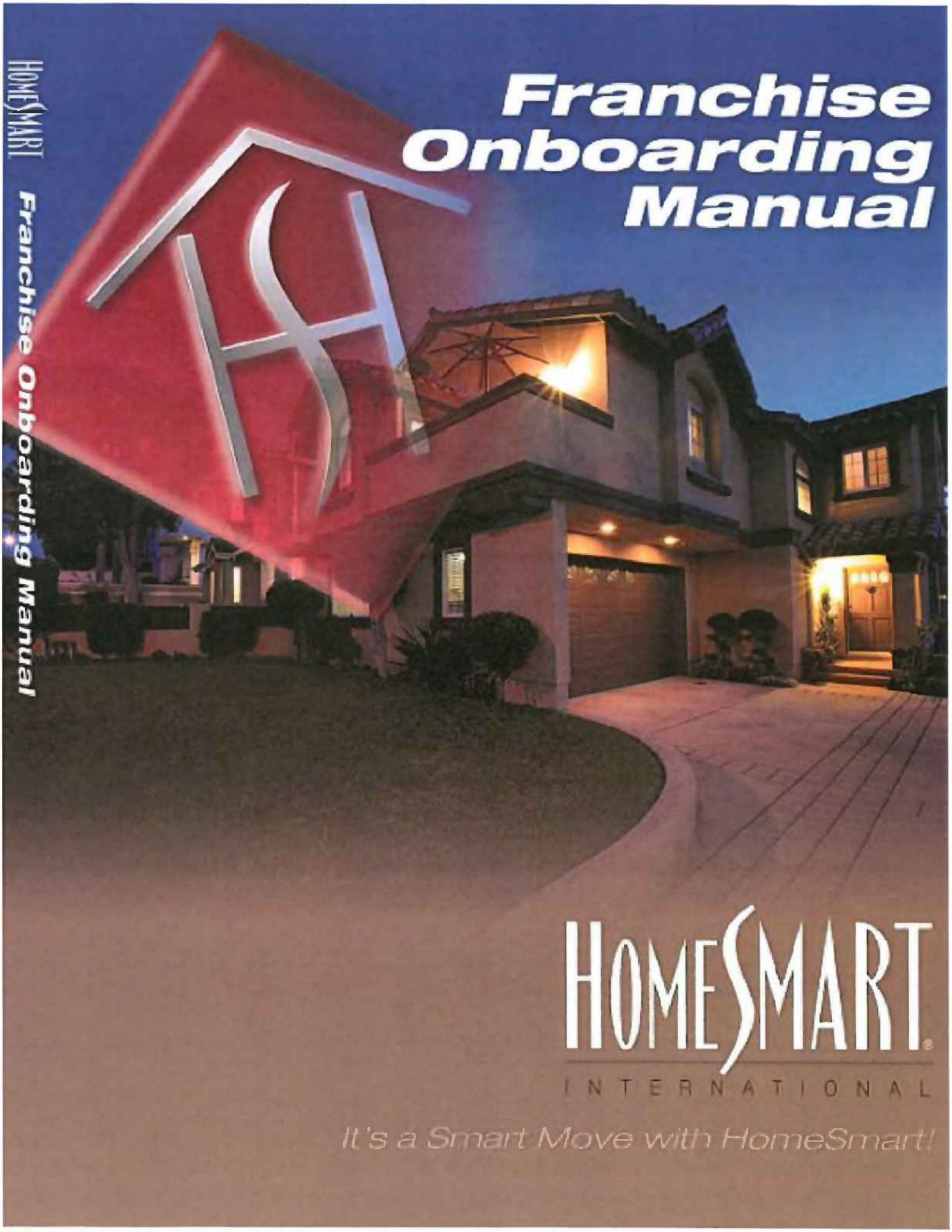
Franchise Onboarding Manual



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Agent SmartSite 2.0

The SmartSite 2.0 website offers a vast amount of marketing tools to enhance your business and includes CMA, SEO, and CRM. This document will guide you through each section of the SmartSite 2.0 Admin Panel.

AGENT LOG IN

This log in is for the back end of your SmartSite 2.0 where you can edit and customize your personal agent web site.

You can access your SmartSite 2.0 Admin Portal by logging into your RSA panel, clicking on the Marketing button and then on My SmartSite 2.0.

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Broker Site 2.0

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Exhibit G to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
NONDISCLOSURE AND NONCOMPETITION AGREEMENT

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement ("**Agreement**") is made and entered into this ____ day of _____, 20__ by and between HomeSmart International, LLC, an Arizona limited liability company ("**Company**"), located at 8388 East Hartford Drive., Suite 100, Scottsdale, Arizona 85255, and _____ ("**Associate**"), who resides or has a principal place of address at _____.

RECITALS

A. The Company is engaged in the business of selling franchises for the operation of a business offering real estate brokerage services ("**Franchise Business**"). The Franchise Business is operated under the Company's trademark "**HOMESMART™**" and other service marks, trademarks, logo types, designs, and other commercial symbols (collectively "**Marks**");

B. The Company has developed methods for establishing, operating and promoting Franchise Businesses pursuant to the Company's distinctive business format, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, Marks and information and know-how of the Company ("**Confidential Information**" and "**Trade Secrets**") and any Confidential Information and Trade Secrets as may be further developed from periodically by the Company;

C. The Company and its Affiliates have established substantial goodwill and an excellent reputation with respect to the quality of its System, which goodwill and reputation have been and will continue to be of major benefit to the Company;

D. Associate desires to become involved with the Company or a franchisee of the Company in the capacity of an officer, partner, director, agent, manager, employee, Designated Business Manager or as a beneficial owner of the Franchise Business, or is an immediate family member of a principal owning an interest in the Franchise Business, and will become privileged as to certain Confidential Information and Trade Secrets. Associate may or may not have signed the Franchise Agreement or Guaranty and Assumption of Franchisee's Obligations form; and

E. Associate and the Company have reached an understanding with regard to nondisclosure by Associate of Confidential Information and Trade Secrets and with respect to noncompetition by Associate with the Company and other franchisees of the Company. Associate agrees to the terms of this Agreement as partial consideration for the Company's willingness to allow Associate to engage in a business relationship with Company or a franchisee of the Company using the Company's Confidential Information and Trade Secrets.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Company, intending legally to be bound, agree as follows:

1. Definitions.

(a) "**Associate**" means the individual or entity described on page 1 of this Agreement and the Associate's managers, officers, beneficial owners, directors, employees, partners, members, principals and immediate family members.

(b) "**Competitive Business**" as used in this Agreement means any business operating in competition with or similar to the Franchise Business; provided, however, Associate will not be prohibited

from owning not more than a total of 5% of the stock of any company which is subject to the reporting requirements of the U.S. Securities and Exchange Act of 1934.

(c) "**Confidential Information**" means all knowledge, know-how, standards, formulas, methods and procedures related to the establishment and operation of the Franchise Business and includes all records pertaining to customers, suppliers, and other service providers of, and/or related in any way to, the Franchise Business including, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, e-mail addresses, customer purchase records, mail lists, manuals, promotional and marketing materials, marketing strategies and any other data and information which the Company or its Affiliates designates as confidential including all information contained in the Company's Operations Manual, which may be provided as one or more separate manuals, written instructional guides, CD Rom, or other communications from the Company or its Affiliates, which may be changed or supplemented from periodically.

(d) "**Franchise Agreement**" means the franchise agreement between Company and _____ dated _____ as amended or renewed from periodically.

(e) "**Territory**" has the meaning defined in the Franchise Agreement.

(f) "**Term**" has the meaning defined in the Franchise Agreement.

(g) "**Trade Secret(s)**" means information, including a formula, pattern, compilation, program, device, method, technique or process related to the Franchise Business that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. **Confidential Information and Trade Secrets**. Associate and the Company acknowledge that the Confidential Information and Trade Secrets which are developed and utilized in connection with the operation of the Franchise Business are unique and the exclusive property of the Company or its Affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information and Trade Secrets would be wrongful and would cause irreparable injury and harm to the Company or its Affiliates. Associate further acknowledges that the Company or its Affiliates has expended a great amount of effort and money in obtaining and developing the Confidential Information and Trade Secrets, that the Company or its Affiliates has taken numerous precautions to guard the secrecy of the Confidential Information and Trade Secrets, and that it would be very costly for competitors to acquire or duplicate the Confidential Information and Trade Secrets.

3. **Nondisclosure of Confidential Information and Trade Secrets**. During the Term and any renewal Term of the Franchise Agreement and for a period of 2 years after the expiration or termination of the Franchise Agreement (unless the information is a Trade Secret in which case the requirements in this Section 3 will remain in place for as long as the information constitutes a Trade Secret), Associate will not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or the Franchise Business, any of the Confidential Information or Trade Secrets of the Company or its Affiliates.

4. **Exceptions to Disclosing Confidential Information**. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information that was in the public domain before being communicated to the Associate through no fault of the Associate; (b) information that entered the public domain after it was communicated to the Associate through no fault of the Associate; (c) information that was in the Associate's possession free of any

obligation of confidence at the time it was communicated to the Associate; or (d) the disclosure of the Confidential Information in judicial or administrative proceedings if the Associate is legally compelled to disclose the information, if the Associate has notified the Franchisor before disclosure and used the Associate's best efforts, and afforded the Franchisor the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Franchisor of confidential treatment for the information required to be so disclosed.

5. **Noncompetition Covenant**. Associate acknowledges that the Company must be protected against the potential for unfair competition by Associate's use of the Confidential Information and Trade Secrets in direct competition with the Company. Associate further acknowledges that the Confidential Information and Trade Secrets would not have been divulged to the Associate absent the Associate's agreement to strictly comply with the provisions of this Agreement. Associate therefore agrees that other than the Franchise Business licensed under the Franchise Agreement, Associate will not during the Term and renewal Term of the Franchise Agreement:

(a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business;

(b) perform services as a manager, officer, beneficial owner, director, principal, employee, partner, member, consultant, representative, agent or otherwise for a Competitive Business; or

(c) divert or attempt to divert any business related to, or any customer or account of the Franchise Business, the Company's business, the business of any Affiliate of the Company or any other franchisee's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of the Company or another franchisee licensed by Company, to any Competitive Business by any direct inducement or otherwise.

6. **Injunction**. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company will be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Company may be entitled. Associate agrees that the Company may obtain this injunctive relief without posting a bond or bonds. Associate's sole remedy, in the event of the entry of injunctive relief, will be dissolution of the injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any injunction are expressly waived by Associate. In any litigation, arbitration or other proceeding concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives any defenses Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated, arbitrated or otherwise relating to any claimed "prior breach" on the part of the Company; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Company will entitle or permit the Associate to disclose any Confidential Information and Trade Secrets in any circumstances.

7. **Effect of Waiver**. The waiver by Associate or the Company of a breach of any provision of this Agreement will not operate or be construed as a waiver of any subsequent breach thereof.

8. **Binding Effect**. This Agreement is binding upon and inure to the benefit of Associate and the Company and their respective heirs, executors, representatives, successors and assigns.

9. **Entire Agreement**. This instrument contains the entire agreement of Associate and the Company relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

10. **Governing Law**. This instrument is governed by and will be construed under the laws of the State of Arizona.

11. **Jurisdiction and Venue**. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Arizona, and irrevocably agrees that venue for any action or proceeding will be in the state and federal courts of Arizona. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Arizona. Notwithstanding the foregoing, in the event that the laws of the state where the Associate resides prohibit the aforesaid designation of jurisdiction and venue, then that other state's laws will control.

12. **Severability**. If any provision of this Agreement is held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, that holding, declaration or pronouncement will not affect adversely any other provisions of this Agreement which will otherwise remain in full force and effect.

13. **Attorneys' Fees**. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in the litigation, as determined by the court in a final judgment or decree, will pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred by the successful party or parties (including without limitation those costs, expenses and fees on any appeals), and if the successful party recovers judgment in any action or proceeding, the costs, expenses and attorneys' fees will be included as part of the judgment.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

COMPANY	**ASSOCIATE:**
HOMESMART INTERNATIONAL, LLC	_____
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

Exhibit H to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
STATEMENT OF FRANCHISEE

STATEMENT OF FRANCHISEE

The questionnaire does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

To make sure that no misunderstanding exists between you, the Franchisee, and us, HomeSmart International, LLC (also called "**HomeSmart**," the "**Franchisor**" or "**we**"), and to make sure that no violations of law might have occurred, and understanding that we are relying on the statements you make in this document, you assure us as follows:

A. The following dates are true and correct:

	Date	Initials	
1.	_____, 20___	_____	The date on which I received a Franchise Disclosure Document regarding the HomeSmart Real Estate Brokerage Business.
2.	_____, 20___	_____	The date of my first meeting with Marketing Representative to discuss a possible purchase of a HomeSmart Real Estate Brokerage Business.
3.	_____, 20___	_____	The date on which I received a completed copy (other than signatures) of the Franchise Agreement which I later signed.
4.	_____, 20___	_____	The date on which I signed the Franchise Agreement.
5.	_____, 20___	_____	The earliest date on which I delivered cash, check or other consideration to the Marketing Representative or an officer of Franchisor.

B. Representations.

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, "side agreements," options, right-of-first-refusal or otherwise have been made to or with me with respect to any matter (including but not limited to advertising, marketing, site location, operational, marketing or administrative assistance, exclusive rights or exclusive or protected territory or otherwise), nor have I relied in any way on same, except as expressly set forth in the Franchise Agreement or an attached written Addendum signed by me and HomeSmart, except as follows:

_____

(If none, you should write NONE in your own handwriting and initial.)

2. No oral, written, visual or other promises, agreements, commitments, representation, understandings, "side agreements" or otherwise which expanded upon or were inconsistent with the Franchise Disclosure Document or the Franchise Agreement or any attached written addendum signed by me and an officer of HomeSmart, were made to me by any person or entity, nor have I relied in any way on same, except as follows:

(If none, you should write NONE in your own handwriting and initial.)

3. No oral, written, visual or other claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise,) which stated or suggested a specific level or range of actual or potential sales, income, profits, cash flow, tax effects or otherwise (or from which these items might be ascertained) from the HomeSmart Real Estate Brokerage Businesses, was made to me by any person or entity, nor have I relied in any way on any claim or representation, except as follows:

(If none, you should write NONE in your own handwriting and initial.)

4. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including but not limited to my obtaining financing, or my fully performing any of my obligations), nor have I relied in any way on same, except as expressly set forth in the Franchise Agreement or any attached written Addendum signed by me and HomeSmart:

(If none, you should write NONE in your own handwriting and initial.)

5. The individuals signing for me constitute all of the executive officers, partners, shareholders, investors and/or principals. Each of these individuals has reviewed the Franchise Disclosure Document and all exhibits and carefully read, discussed, understands and agrees to the Franchise Agreement, each attached written Addendum and any personal guaranties.

6. I have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, before signing any binding documents or paying any sums, and HomeSmart has strongly recommended that I obtain this independent advice. I have also been strongly advised by HomeSmart to discuss my proposed purchase of a HomeSmart Real Estate Brokerage Business with any existing HomeSmart franchisees before signing any binding documents or paying any sums and HomeSmart has supplied me with a list of all existing franchisees if any exist.

7. I understand that a) entry into any business venture necessarily involves some unavoidable risk of loss or failure; b) while the purchase of a franchise may improve the chances for success, the purchase of a HomeSmart Real Estate Brokerage Business or any other franchise is a speculative investment; c) investment beyond that outlined in the Franchise Disclosure Document may be required to succeed; d) there exists no guaranty against possible loss or failure in this or any other business; and e) the most important factors in the success of any HomeSmart Real Estate Brokerage Business, including the one to be operated by me, are my personal business skills, which include marketing, sales, and management, and require sound judgment and extremely hard work.

8. I understand that HomeSmart has Affiliates, including, HomeSmart Services, LLC ("HomeSmart Services"), Equitable Title Agency, LLC ("**Equitable**"), Finco Mortgage, LLC ("**Finco**"), HomeSmart Canada Holding Corp. ("HS Canada"), HS Brokerage Holdings, LLC ("**HS Brokerage Holdings**"), On the Run Printing, LLC ("**On the Run**"), VirtuSmart LLC ("**VirtuSmart**"), EQJV, LLC ("EQJV") is an Arizona limited liability company that was formed on January 15, 2020, Creative Services, LLC ("Creative Services"), HomeSmart Investments, LLC ("**HS Investments**") that are approved suppliers of products and services that I may or be required to use in connection with the operation of the HomeSmart Real Estate Brokerage Business.

If there are any matters inconsistent with the statements in this document or if anyone has suggested that you sign this document without all of its statements being true, correct and complete, immediately inform HomeSmart (Phone: (602) 889-2100) and our President Ashley Bowers.

You understand and agree that we do not furnish, or authorize our salespersons, brokers or others to furnish any oral or written information concerning actual or potential sales, income, profits, cash flow, tax effects or otherwise (or information from which these items might be ascertained), from Affiliate-owned, franchised or non-franchised units, that no results can be assured or estimated, and that actual results will vary from unit to unit.

You understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

PROSPECTIVE FRANCHISEE:

_____ _____
Date

REVIEWED BY FRANCHISOR:

By: _____

Its: _____

Date: _____

Exhibit I to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
FORM OF GENERAL RELEASE

GENERAL RELEASE

THIS GENERAL RELEASE ("**Release**") is executed on _____ by _____ ("**Franchisee**") and _____ ("**Guarantors**") as a condition of [PICK ONE: the transfer of a HomeSmart franchise between Franchisee and HomeSmart International, LLC ("**HomeSmart**") [or] the transfer or renewal of a HomeSmart Franchise Agreement dated _____ ("**Franchise Agreement**") between Franchisee and HomeSmart [or] between Franchisee and HomeSmart [or] the termination of the HomeSmart Franchise Agreement dated _____ ("**Franchise Agreement**") between Franchisee and HomeSmart.

1. **Release by Franchisee and Guarantors**. Franchisee (if Franchisee is an entity, on behalf of itself and its parent, subsidiaries and Affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities and, if Franchisee is an individual, on behalf of himself/herself and his/her heirs, representatives, successors and assigns) and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, "Franchisee Releasors") freely and without any influence forever release and covenant not to sue HomeSmart and its parent, subsidiaries and Affiliates and their respective past and present officers, directors, members, shareholders, agents and employees, in their corporate and individual capacities, (collectively "HomeSmart Releasees") with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "Claims"), which any Franchisee Releasor ever owned or held, now owns or holds or may in the future own or hold, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to the Franchise Agreement and all other agreements between any Franchisee Releasor and any HomeSmart Releasee, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

IF FRANCHISEE OR GUARANTORS ARE BASED IN CALIFORNIA: Franchisee and Guarantors (on behalf of the Franchisee Releasors) expressly agree that, with respect to this release, any and all rights granted under Section 1542 of the California Civil Code are expressly waived, to the extent applicable. That Section reads as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

2. **Risk of Changed Facts**. Franchisee and Guarantors understand that the facts in respect of which the Release in Section 1 above is given may turn out to be different from the facts now known or believed by them to be true. Franchisee and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the Release shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. **No Prior Assignment**. Franchisee and Guarantors represent and warrant that the Franchisee Releasors are the sole owners of all Claims and rights released hereunder and that the Franchisee Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1 above.

4. **Covenant Not to Sue**. Franchisee and Guarantors (on behalf of the Franchisee Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal,

or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 above with respect to any Claim released under Section 1 above.

5. **Complete Defense**. Franchisee and Guarantors: (A) acknowledge that this Release shall be a complete defense to any Claim released under Section 1 above; and (B) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. **Successors and Assigns**. This Release will inure to the benefit of and bind the successors, assigns, heirs and personal representatives of HomeSmart and each Franchisee Releasor.

7. **Governing Law**. This Release and all claims relating to this Release shall be governed by and construed under the law of the State of Arizona. HomeSmart, Franchisee and Guarantor shall file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where HomeSmart's principal offices are located. HomeSmart may file any controversy or claim whatsoever arising out of or relating to this Release or the enforcement of the promises in this Release or with regard to the interpretation, formation, or breach of this Release in the court where its principal offices are located, where Franchisee or Guarantors reside or do business, or where the claim arose.

8. **Miscellaneous**

A. This Release constitutes the entire, full and complete agreement between the parties concerning the release of Claims by the parties and supersedes all prior or contemporaneous negotiations, discussions, understandings or agreements. Except as expressly set forth in this Agreement, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed in writing.

B. The masculine gender shall be deemed to refer to and include the feminine and neuter, and the singular to refer to and include the plural, and vice versa.

C. The terms of this Release shall remain confidential and may not be disclosed except when and to the extent necessary to comply with applicable federal, state, or local laws, court orders or regulations.

D. All terms not defined in this Release shall have the meaning given to them in the Franchise Agreement.

E. All captions in this Release are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

F. This Release may be executed in counterparts, and each copy so executed and delivered shall be deemed an original.

The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

IN WITNESS WHEREOF, Franchisee and Guarantors have executed this Release as of the date shown below.

FRANCHISEE:

(IF FRANCHISEE IS AN ENTITY)

Signature:_____

Print Name: _____

Title:_____

Date: _____

(IF FRANCHISEE IS AN INDIVIDUAL)

Signature_____

Print Name: _____

Date: _____

GUARANTOR:

Signature_____

Print Name: _____

Date: _____

GUARANTOR:

_____

Signature_____

Print Name: _____

Date: _____

[Attach additional signature pages as needed]

Exhibit J to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC

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	Pending
Hawaii	Pending
Illinois	4/5/2023
Indiana	4/30/2023
Maryland	Pending
Minnesota	4/27/2023
New York	Pending
North Dakota	4/20/2023
Rhode Island	4/10/2023
South Dakota	4/27/2023
Virginia	4/12/2023
Washington	5/15/2023
Wisconsin	4/5/2023

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Exhibit K to Franchise Disclosure Document
HOMESMART INTERNATIONAL, LLC
RECEIPTS

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If franchisor offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an Affiliate in connection with the proposed franchise sale.

If franchisor does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement or other agreement or the payment of any consideration, whichever occurs first.

The issuance date for this Franchise Disclosure Document is **April 4, 2023**. I have received a disclosure document dated **April 4, 2023** that included the following Exhibits:

A. Financial Statements
B. Franchise Agreement
C. List of Current Franchisees/Who Have Left The System
D. List of State Agencies and Administrators
E. State-Specific Addenda
F. Operations Manual Table of Contents
G. Nondisclosure and Noncompetition Agreements
H. Statement of Franchisee
I. General Release
J. Receipts

_____	_____
Prospective Franchisee (Print Name)	Prospective Franchisee (Print Name)
_____	_____
Signature	Signature
_____	_____
Date	Date

Instructions for returning the receipt: If the disclosure document is not delivered in person, the prospective franchisee must sign both copies of this Receipt, retaining one (1) for the prospective franchisee's records. The other copy must be sent via certified mail to the franchisor: Bryan Brooks, Senior Vice President of Franchise Sales, HomeSmart International, LLC, 8388 East Hartford Drive, Suite 100, Scottsdale, AZ 85255.

Franchise Seller's Name:	HomeSmart International, LLC
Attention:	**Bryan Brooks, Senior Vice President of Franchise Sales**
Principal Business Address:	8388 East Hartford Drive, Suite 100, Scottsdale, AZ 85255
Email:	bbrooks@hsmove.com
Telephone Number:	**(602) 230-7600**

Franchise Seller's Name: _____
Attention: _____
Principal Business Address: _____
Email: _____
Telephone Number: _____

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If franchisor offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an Affiliate in connection with the proposed franchise sale.

If franchisor does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement or other agreement or the payment of any consideration, whichever occurs first.

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G. Nondisclosure and Noncompetition Agreements
H. Statement of Franchisee
I. General Release
J. Receipts

_____	_____
Prospective Franchisee (Print Name)	Prospective Franchisee (Print Name)
_____	_____
Signature	Signature
_____	_____
Date	Date

Instructions for returning the receipt: If the disclosure document is not delivered in person, the prospective franchisee must sign both copies of this Receipt, retaining one (1) for the prospective franchisee's records. The other copy must be sent via certified mail to the franchisor: Bryan Brooks, Senior Vice President of Franchise Sales, HomeSmart International, LLC, 8388 East Hartford Drive, Suite 100, Scottsdale, AZ 85255.

Franchise Seller's Name:	HomeSmart International, LLC
Attention:	**Bryan Brooks, Senior Vice President of Franchise Sales**
Principal Business Address:	8388 East Hartford Drive, Suite 100, Scottsdale, AZ 85255
Email:	bbrooks@hsmove.com
Telephone Number:	**(602) 230-7600**

Franchise Seller's Name: _____
Attention: _____
Principal Business Address: _____
Email: _____
Telephone Number: _____

(Return this copy to HomeSmart International, LLC)