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Department of Business Oversight
Los Angeles Office

FRANCHISE DISCLOSURE DOCUMENT



Inspect-It 1st, LLC
a Delaware limited liability company
7100 East Pleasant Valley Road, Ste. 300
Independence, Ohio 44131
(866) 328.7720
info@inspectit1st.com
<http://www.inspectit1st.com>

The franchise is offered to provide Property Inspection Services and other related, optional property inspection services, such as termite, pool/spa, septic, well, and infrared thermography, and environmental inspections and testing, such as mold, asbestos, and radon testing among other inspections and tests that may be provided during a property inspection. ("**Property Inspection Business**" or "**Franchise**"). "

The total investment necessary to begin operation of an Inspect-It 1st franchised business is \$13,300-43,400. This includes \$24,900 that must be paid to Franchisor or its affiliates (or \$6,000 that must be paid to Franchisor or its affiliates if you are an IIF Conversion as defined below).

Included in this franchise offering is also the incremental right, but not the obligation, to conduct a home and building performance testing and improvements business using the trademark "Pro Energy Consultants". Such right is available to you beginning twelve (12) months after the commencement date of your Inspect-It 1st business and may be exercised by signing Attachment G to the Franchise Agreement. Home and building performance testing services include, but are not limited to, energy audits, energy monitoring, new construction ratings, duct testing, and indoor air quality testing. The total incremental investment necessary to begin operation of a Pro Energy Consultants Franchised Business is \$19,500 to \$30,550. This includes up to \$14,000 that must be paid to the Franchisor or its affiliates.

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

You have the option of receiving a paper copy or a compact disc of the disclosure document. To request a paper or compact disc copy, contact the Compliance department at (877) 392-6278.

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

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

Issuance Date: September 26, 2017

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN OHIO. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN OHIO THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT OHIO LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. EVEN THOUGH THIS FRANCHISE AGREEMENT PROVIDES THAT HOME STATE LAW APPLIES, LOCAL LAW MAY SUPERSEDE IT IN YOUR STATE. PLEASE REFER TO ANY STATE-SPECIFIC ADDENDUM THAT MAY BE ATTACHED TO THE DISCLOSURE DOCUMENT FOR DETAILS.
4. FAILURE TO MAINTAIN CERTAIN LEVELS OF GROSS REVENUES AUTHORIZES THE FRANCHISOR TO TERMINATE THE FRANCHISE AGREEMENT. REFER TO ITEM 12 FOR COMPLETE DETAILS.
5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: _____

STATE EFFECTIVE DATES

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

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California: Pending

Illinois Pending

Indiana Pending

Maryland Pending

Michigan Pending

Minnesota Pending

New York Pending

Virginia Pending

Washington Pending

Wisconsin Pending

In all other states not listed above, the effective date of this Franchise Disclosure Document is the issuance date of September 26, 2017.

**NOTICE REQUIRED
FOR PROSPECTIVE FRANCHISEES
BY STATE OF MICHIGAN**

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

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

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

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

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

The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation or endorsement by the Attorney General.

Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attention: Franchise Bureau
670 Law Building
Lansing, MI 48913
(517) 373-3800

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EXHIBITS

- A. List of State Regulatory Agencies and Administrators
- B. List of Agents for Service of Process
- C. Franchise Agreement with Attachments
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- E. Table of Contents of Confidential Operating Manuals
- F. Current List of Franchisees
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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

Throughout this disclosure document, "Inspect-It 1st" means Inspect-It 1st, LLC, the franchisor, which does business as Inspect-It 1st. To simplify the language in this Disclosure Document, the terms "Inspect-It 1st," "we," "our," and "us" refer to Inspect-It 1st, LLC, the franchisor. The terms "you" and "franchisee" refer to the legal entity which will own and operate the franchise. References to "you" or "franchisee" which are applicable to an individual or individuals will mean the principle owner or owners of the equity or operating control of the Franchisee. Inspect-It 1st, LLC, is a Delaware limited liability company that was incorporated on March 3, 2003. The only name under which Inspect-It 1st, LLC is presently doing business or intends to do business is Inspect-It 1st. Our principal business address is:

Inspect-It 1st, LLC
7100 East Pleasant Valley Road, Ste. 300
Independence, Ohio 44131
(216) 328.7720
(877) 392.6278

Inspect-It 1st's agents for service of process are disclosed in EXHIBIT B.

Effective June 19, 2007, Inspect-It 1st, LLC acquired substantially all of the assets of Inspect-It 1st Franchising Corp. The predecessor entity operated a property inspection business since approximately 1991. Inspect-It 1st, LLC is a direct wholly-owned subsidiary of Merrymeeting, Inc., a Delaware corporation ("Merrymeeting"). Merrymeeting is owned by John M. Davies, Inspect-It 1st, LLC's Chairman of the Board, President and CEO, The John M. Davies 2012 Irrevocable Family Trust, and IVM Intersurer BV, a Netherlands holding company that specializes in investing in insurance-related businesses.

Merrymeeting owns one hundred percent (100%) of Frontier Adjusters of America, Inc., an Arizona corporation ("FAA"). FAA, in turn, owns one hundred percent of the stock of Frontier Adjusters of Arizona, Inc., which in turn owns one hundred percent of the stock of Frontier Adjusters, Inc., a Colorado corporation ("Frontier"). Frontier sells claims adjusting business franchises and has been in continuous operation since May 29, 1959. Frontier has no predecessor operations. Frontier has not engaged in, nor offered any franchises to engage in, the same type of business as that to be operated by Inspect-It 1st or its franchisees. As of June 30, 2017, Frontier had 668 franchised locations.

Effective July 30, 2004, Merrymeeting acquired one hundred percent (100%) of MTOclean, Inc., an Ohio corporation ("MTO"). MTO sells residential and commercial cleaning business franchises and has been in continuous operation since 1988. MTO has no predecessor operations. MTO has not engaged in, nor offered any franchises to engage in, the same type of business as that to be operated by Inspect-It 1st or its franchisees. As of June 30, 2017, MTO had 20 franchised locations.

MMI Business Brokers, LLC, dba Sunbelt Business Advisors ("Sunbelt"), a Delaware limited liability company is wholly owned by SB Administrative Services, Inc., an Ohio corporation. SB Administrative Services, Inc. is owned by Marathon Management Service, LLC an affiliate of Merrymeeting. On February 3, 2006, Sunbelt acquired substantially all of the assets of Sunbelt Business Advisors Network, LLC. Prior to this asset purchase, Sunbelt Business Advisors Network, LLC had sold franchises since December, 2002. Sunbelt Business Advisors Network, LLC's predecessor was Sunbelt Business Brokers Network, Inc. which sold franchises since April 1993. Sunbelt sells business brokerage franchises and has since February 3, 2006. Sunbelt and its predecessor, Sunbelt Business Brokers Network, Inc., have not engaged in, nor offered any franchises to engage in, the same type of business as that to be operated by Inspect-It 1st or its franchisees. As of June 30, 2017, Sunbelt had 117 U.S. franchised locations and approximately 14 international franchised locations.

Computer Troubleshooters USA, Inc. ("CT USA") is a Georgia corporation that was incorporated on May 3, 1999 and has offered franchises since that time. Effective January 31, 2008, CT USA became a wholly owned subsidiary of Computer Troubleshooters Global, LLC ("CT Global"), a Delaware limited liability company, effective on this same date, CT Global also acquired substantially all of the assets of Computer Troubleshooters PTY., LTD., a former affiliate of CT USA. CT Global's membership interests are owned by MMI-CPR, LLC, a Delaware limited liability company. Computer Troubleshooters franchise owners engage in the business of offering computer related repair and support services to businesses and individual consumers. Computer Troubleshooters has not offered franchises in any other line of business. As of June 30, 2017, Computer Troubleshooters had 171 U.S. franchised locations and approximately 95 international locations. We do not believe that our franchisees will compete with CT USA's franchisees.

Effective April 7, 2011, MMI-PEC, LLC dba Pro Energy Consultants ("PEC"), an Ohio limited liability company, acquired substantially all of the assets of PEC Holdings, LLC. PEC is owned by Merrymeeting, Inc.. PEC franchises energy auditing businesses. PEC and its predecessor, PEC Holdings, LLC, have not engaged in, nor offered any franchises to engage in, the same type of business as that to be operated by Inspect-It 1st or its franchisees. As of June 30, 2017, PEC had 7 advertised franchised locations.

Effective October 4, 2013, Merrymeeting acquired a majority interest in MMI-CPR, LLC dba Cell Phone Repair ("CPR"), a Delaware limited liability company that was organized on April 5, 2013. A Certificate of Formation was filed with the Secretary of State of Delaware for MMI-FGS, LLC on April 5, 2013. On September 13, 2013 a Certificate of Amendment was filed with (and accepted by) the Secretary of State of Delaware changing the name of the Company from MMI-FGS, LLC to MMI-CPR, LLC. From the date of its formation to the date the Certificate of Amendment was filed, MMI-FGS, LLC was inactive. CPR is owned by Merrymeeting Inc., a Delaware corporation ("Merrymeeting") and HUNIL, LLC, a Delaware limited liability company. CPR does not offer franchises in any other lines of businesses. MMI-CPR, LLC does business under our corporate name and the names "CPR" and "Cell Phone Repair". CPR does not offer franchises in the similar type of business as that to be operated by Inspect It 1st and its franchisees. As of June 30, 2017, MMI-CPR, LLC had 325 U.S. franchised locations and approximately 44 international locations.

The principal business address for Merrymeeting, FAA, Frontier Adjusters of Arizona, Inc., Frontier, MTO, Sunbelt, Computer Troubleshooters, Pro Energy Consultants, and CPR is 7100 East Pleasant Valley Road, Suite 300, Independence, Ohio 44131 and the telephone number is 877-392-6278. Effective October 1, 2003, Marathon Management, LLC, a Delaware limited liability company ("Marathon") began providing management services to Inspect-It 1st, LLC. John M. Davies and his wife own one hundred percent of the membership interests of Marathon. Pursuant to a written management agreement, Inspect-It 1st will reimburse Marathon for all of the expenses incurred by Marathon in connection with these management services.

We have been offering residential and commercial building inspection franchises since October 2003. The franchises we offer allow you to use our names, marks and systems to operate an inspection service for (i) single-family and certain multi-family residential buildings and (ii) certain commercial buildings.

The Inspect-It 1st Franchise

We offer franchises for the operation of Property Inspection Businesses under our Inspect-It 1st[®] service mark, trade names, and logos (collectively, "**Marks**"). The franchise is operated under a business format utilizing a unique system, including our valuable know-how, proprietary licensed software, information, trade secrets, methods, Operations Manual, standards, designs, methods of service, Mark usage, copyrights, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of a Property Inspection Business ("**System**"). We reserve the right to change or otherwise modify the System at any time in our sole discretion. Each Property Inspection Business offers the general public a variety of property inspection services. The services include inspection of residential and commercial properties both with and without infrared thermography, and related property testing services. If you are already the owner of a property inspection business which you have operated for at least two years and meet certain other requirements, we may offer you the option to convert your existing business to an Inspect-It 1st franchise ("IIF Conversion").

You must operate your Property Inspection Business according to our standard business operating practices and sign our standard franchise agreement ("**Franchise Agreement**"). (See **Exhibit B**). You must provide the authorized services per our guidelines.

Market and Competition – Inspect-It 1st Franchise

The market for the property inspection industry has grown substantially in the past decade. This is primarily because the majority of properties are now inspected prior to purchase, and real estate professionals have become strong advocates of the inspection process. Many financial and insurance institutions now also require inspections. The market for property inspection services is highly competitive. You will be in competition with large national property inspection providers, a large number of small, local property inspection service providers, as well as other franchisees from our System. A small percentage of these competitors use infrared thermography.

You will also face normal business risks that could have an adverse effect on your Property Inspection Business. These include industry developments, such as pricing policies of competitors, supply and demand, or changes in laws requiring property inspection services.

Regulations- Inspect-It 1st Franchise

There are state laws and regulations specific to performing property inspection services. There may also be local and state agencies that regulate the performance of property inspection services in your area. It is important that you comply with all laws and regulations in this area and that you become educated regarding property inspection services and requirements. Some of these laws and regulations will require special certification, licensing and registrations before you can begin performing property inspections. You should familiarize yourself with these laws and regulations and with other state or local laws and regulations of a more general nature which may affect the operation of your Property Inspection Business. It is your responsibility to comply with all federal, state and local regulations, employment laws, certification, licensing and registration requirements, worker's compensation insurance requirements, corporate taxing and any other laws that affect the operation of your Property Inspection Business. You should talk to an advisor, like a lawyer or accountant, regarding compliance with these laws and regulations.

Other than when we take over operations from our franchisees on an interim basis, we do not operate residential or commercial building inspection businesses in any states and have no other businesses other than franchising the type of business described in this Disclosure Document. We do not offer subfranchises and we have not offered franchises in any other line of business.

Pro Energy Consultants Operation (OPTIONAL)

If you opt to open a Pro Energy Consultants operation, you will establish and operate a business that offers home and building performance testing services including but not limited to energy audits, energy monitoring, new construction ratings, duct testing, and indoor air quality testing. The improvement/repair services include but are not limited to air sealing, duct sealing, insulation, and indoor air quality treatments. We will grant you a license to use certain trademarks, service marks, logos and trade names, including the trademark "Pro Energy Consultants" in connection with the operation of your business. You will be required to sign the above mentioned Franchise Agreement and Attachment G to the Franchise Agreement when you exercise the right to operate the Pro Energy Consultants Business and operate your business in accordance with the terms of the Franchise Agreement. The form of Franchise Agreement is attached to this Disclosure Document as Exhibit B.

Distinctive characteristics of the Pro Energy Consultants system include logo, trade secrets (including proprietary marketing methods), concept, style, confidential operations manuals and operating system. The operational aspects of a Pro Energy Consultants business are contained within confidential operating manuals, which may include several manuals. You will operate your Pro Energy Consultants business as an independent business using the marks, the system, The Pro Energy Consultants name, as well as the support, guidance and other methods and materials provided or developed by us.

The target market for the Pro Energy Consultants business includes residential homeowners and commercial locations. You will compete primarily with other local energy auditors. Pro Energy Consultants is a year round business. We consider the market for Pro Energy Consultants to be a developing market.

It is your responsibility to conduct due diligence on federal, state, and local requirements and fees that may be imposed in order to operate the Pro Energy Consultants business. You must comply with all local, state and federal laws and regulations that apply to all businesses in general. There may be local, state and/or federal laws or regulations and/or licensing requirements pertaining to your business and the industry of home and building performance testing and improvements services with which you must also comply. We do not assume any responsibility for informing our franchisees or prospective franchisees of the applicable fees and requirements to own and operate a Pro Energy Consultants business in their home state. We recommend you inquire with your attorney about these laws and regulations.

ITEM 2

BUSINESS EXPERIENCE

Inspect-It 1st, LLC is a Delaware limited liability company and has no officers. Inspect-It 1st's managing member is Marathon Management Services, LLC, a Delaware limited liability company. The officers of Marathon Management Services, LLC are not employees of Inspect-It 1st. The officers of Marathon Management Services, LLC are as follows:

President/CEO: John M. Davies

Mr. Davies became President/CEO of Marathon Management Services, LLC on January 1, 2003 and has served in that capacity since then. Mr. Davies also is and has been, since April, 2001, the Chairman and CEO of Merrymeeting, Inc. and each of its' subsidiaries. Mr. Davies has earned various professional designations including being a Certified Public Accountant, Certified Business Intermediary, Chartered Financial Consultant, Chartered Life Underwriter and Chartered Property and Casualty Underwriter. He also holds Series 7 - General Securities Representative, Series 24 - General Securities Principal, Series 63 and Series 79 - Investment Banking Licenses. Mr. Davies has worked from Merrymeeting's headquarters located in Independence, Ohio since May, 2001.

Chief Operating Officer/Secretary/Treasurer: Jeffrey R. Harcourt

Mr. Harcourt became the Chief Operating Officer of Marathon Management Services, LLC on January 1, 2003 and has served in that capacity since then. Additionally, Mr. Harcourt became the Treasurer and Secretary of Marathon Management Services on July 1, 2005. Mr. Harcourt has also served as the Secretary of Merrymeeting, Inc. and its subsidiaries from April 2001 since to June 2005, Treasurer of Merrymeeting, Inc. since April 2001 and as Chief Operating Officer of Merrymeeting, Inc. since July 1, 2005. Mr. Harcourt has worked from Merrymeeting's headquarters located in Independence, Ohio since May 2001. Mr. Harcourt has earned various professional designations including being a Certified Public Accountant, Certified Internal Auditor, Certified Information Systems Auditor, Certified Business Intermediary and Chartered Property and Casualty Underwriter.

Chief Financial Officer and Assistant Secretary: Laurel Park

Ms. Park became the Chief Financial Officer of Marathon Management Services, LLC on January 1, 2003 and has served in that capacity since then. Additionally, Ms. Park became Assistant Secretary of Marathon Management Services, LLC on July 1, 2005. Ms. Park has been Chief Financial Officer of Merrymeeting, Inc. since July 1, 2006 and Secretary of Merrymeeting, Inc. since July 1, 2005. Prior to that time, Ms. Park served as Assistant Secretary of Merrymeeting, Inc. from August 19, 2003 to June 30, 2005 and presently serves as CFO and Secretary. Ms. Park also serves as the Chief Financial Officer of Frontier Adjusters of America, Inc. since September, 2001. From 1995 through 2002, Ms. Park was employed by Frontier Adjusters, Inc. and served in many capacities, most recently as Controller. Ms. Park has worked from Merrymeeting's corporate office located in Phoenix, Arizona since June, 1995. Ms. Park is a Certified Public Accountant.

ITEM 3

LITIGATION

There is no additional litigation that must be disclosed in this Item.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

Inspect-It 1st

The Initial Franchise Fee is \$24,900. Unless we approve other arrangements in writing in our sole discretion, the Initial Franchise Fee must be paid in full at the time you sign the Franchise Agreement and is nonrefundable under any circumstances once paid. Payment must be made in the form of a cashier's check, money order or wire transfer.

Franchisees who qualify, in our sole discretion, may purchase the right to operate additional Property Inspection Businesses at the then-current Initial Franchise Fee. If we agree to grant you one or more additional franchises, you must meet our then-current franchise qualification standards. The grant of the additional franchises is subject to our ability to comply with all applicable laws regarding the sale of the franchises and the availability of acceptable locations in the area of your existing franchise. We will use reasonable efforts to permit you to acquire additional franchises. However, we do not guarantee that a franchise will be granted to you or any other franchisee. Unless other arrangements are approved in writing by us, in our sole discretion, you must pay the then-current Initial Franchise Fee in full when you sign the new Franchise Agreement for each qualifying additional franchise. There are no refunds of the then-current Initial Franchise Fee under any circumstances.

The Initial Franchise Fee for IIF Conversion is \$6,000.

We provide a 10% discount on the Initial Franchise Fee for qualified active duty or retired military.

Pro Energy Consultants (OPTIONAL)

There is no separate Initial Franchise Fee. If you opt to open a Pro Energy Consultants business, you will be required to pay a training fee of \$4,000 and an equipment/marketing launch fee of \$10,000 consisting of the items listed in Attachment G of the Franchise Agreement prior to opening for business.

ITEM 6

OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalties for first 12 months of operation† (1,2)	4-7% of Gross Revenue*, or a Minimum Royalty of \$200 per month, whichever is greater	Monthly on or before the 10th day of each month	No Royalty is due for any partial calendar month following your completion of the Initial Training Program and for an additional 60 days thereafter (the "Grace Period") unless you fail to open your Property Inspection Business within 30 days after your completion of the initial training program (subject to extensions granted by Franchisor in its sole discretion). If you operate an IIF Conversion franchise, the Royalties and Minimum Royalty may be reduced.
Royalties for second 12 months of operation and remainder of the Term† (1,2)	4-7% of Gross Revenue*, or a Minimum Royalty of \$400 per month, whichever is greater	Monthly on or before the 10th day of each month	In the case of a renewal, the royalties will begin at this amount on the effective date of the Franchise Agreement. If applicable, the Royalties for your Pro Energy Consultants Business will be calculated based on the Gross Revenue of both your Inspect-It 1 st and Pro Energy Consultants Businesses. If you operate an IIF Conversion, the Royalties and Minimum Royalty may be reduced.
Marketing Fund Fee† (1,3)	2% of Gross Revenues, or a minimum of \$50.00 per month, whichever is greater, but not to exceed \$500 per month	Monthly on or before the 10th day of each month	Contributions to the Marketing Fund (if in existence) will not commence until the expiration of the Grace Period unless you fail to open your Property Inspection Business within 30 days after your completion of the initial training program (subject to extensions granted by Franchisor in its sole discretion). Currently, we will rebate up to 1% of the Marketing Fund back to Franchisees to apply toward local marketing efforts. The Marketing Fund Fee obligation is not applicable for the Pro Energy Consultants business).
Marketing and Office Management System Fee	\$3 or less per inspection	Monthly	This fee is paid to a third-party vendor, and is therefore subject to change.
Report Generation Software Maintenance Fee	\$169 per year	Annually	The first year's fee is included in the Initial Franchise Fee. This fee is paid to a third-party vendor, and is therefore subject to change.
Audit Fee †	Cost of inspection or audit. Costs may range from \$3,000-\$10,000	As incurred	Payable if there is a deficiency in the payment of any Royalty Fee, Marketing Fund Fee, or other amounts required to be paid by you under the Franchise Agreement by 2% or more.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Transfer Fee † (4)	\$5,000	Before completion of the transfer	Payable by you or your buyer when the Franchise Agreement or other interest in your Property Inspection Business is transferred by you; includes initial training program for one person. (See Sections 15.5 and 15.6 of the Franchise Agreement.). If you operate a Pro Energy Consultants Business, you must transfer both businesses and the transfer fee will be \$8,900.00.
Interest †	Lesser of 6% over the prime lending rate of the Franchisor's bank, or highest rate of interest allowed by law	Calculated and payable weekly	Begins to accrue after any payments are due and unpaid.
Late Report Fee †	\$500 per violation	As incurred	Payable only if a required report or financial statement is not delivered when due. We reserve the right to increase this fee at any time upon 30 days notice to you.
Late Payment Fee	\$500 per violation	As incurred	Payable if a required payment is not made when due. We reserve the right to increase this fee at any time upon 30 days notice to you.
Insurance (5)	Will vary based on location	Insurance provider	We may modify insurance requirements periodically.
Requested Additional Assistance † (6)	Varies based on needs. The estimated range of costs are \$0-\$100 per hour plus travel expenses. The estimated range of costs for travel is \$500-\$1,000	As incurred	Additional training and assistance may be necessary at your expense if you fail to meet our minimum requirements.
Initial Training for Additional Person(s) † (7)	A maximum of \$5,000 per person attending the entire initial training program, plus the cost of travel expenses.	Payable 21 days prior to start of initial training class	Training for 2 people per franchise unit is included in the Initial Franchise Fee if attending the same class. We may increase, reduce or waive the per person Initial Training fee in our sole discretion. (The training fee for the Pro Energy Consultants is \$4,000, if applicable).
Property Inspection Employee Training † (8)	A maximum of \$5,000 per employee plus the cost of travel expenses. The estimated range of costs for travel is \$500 - \$1,000.	Payable 21 days prior to start of training class	Training for 2 employees is provided free of charge. Required for all employees providing property inspection services (or Pro Energy Consultants services, if applicable). We may increase, reduce or waive the per person Initial Training fee in our sole discretion.
Operations Manual Replacement Fee †	\$250	Upon delivery	You must replace any part of the Operations Manual which is lost, stolen, or destroyed. The Operations Manual remains our property at all times.
Non-Sufficient Funds Fee †	\$25	As incurred	If an attempt to process fees from your account is denied due to non-sufficient funds, we may charge your account a NSF fee.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
THE FOLLOWING INCREMENTAL FEES ARE ONLY APPLICABLE IF YOU SUBSEQUENTLY OPEN A PRO ENERGY CONSULTANTS OPERATION:			
Marketing and Office Management Software System Fee.	\$4.00 or less per energy audit	Monthly	Payable to a third-party vendor. We reimburse you the cost of using such system for the first 12 months following your operation start date. This fee is subject to change.

*All of these fees are non-refundable under any circumstances once paid and are uniformly imposed. We may require you to pay Royalties, Marketing Fund Fees, or any other amounts required to be paid by you under the Franchise Agreement, electronically either by Electronic Funds Transfer ("EFT"), pre-authorized checks, valid on-file credit cards, or another form of electronic withdrawal. Fees paid to vendors or other suppliers may or may not be refundable depending on your arrangement with your vendors and suppliers.

- 1) **Gross Revenue.** "Gross Revenue" is defined as: the total of all receipts derived from Services performed and products sold from the Franchisee's Center of Operations (as defined in Section 2.1(a) of the Franchise Agreement) or within the Authorized Territory (as defined in Section 4.1(a) of the Franchise Agreement) and Collateral Services (including the total of all receipts derived from services performed associated with your Pro Energy Consultants business if applicable.), whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, coupons, services, property or other means of exchange. Gross Revenue include receipts from all sales, service, labor, etc. related to the operation of the Franchisee's Business or Collateral Services. Gross Revenue does not include:
 - a. 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 such tax is shown separately and in fact paid by the Franchisee to the appropriate governmental authority; and
 - b. Promotional or discount coupons to the extent that the Franchisee realizes no revenue.
 - c. Sums due to third party contractors for outsourced, specialty inspection services; prior approval by Franchisor required.
 - d. Sums due to third party contractors for outsourced specialty services related to Franchisee's Pro Energy Consultants Business (if applicable).

Gross Revenue shall be deemed received by the Franchisee when payment actually has been received by the franchisee. Gross Revenues consisting of property or services shall be valued at the retail prices

applicable and in effect at the time that they are received.

2) Royalty Fee:*

The following schedule shows the royalty fee percentage the Franchisee will pay based on the Franchisee's Gross Revenue:

Gross Revenue	Royalty Rate
\$0-\$100,000	7%
\$100,001-200,000	6.5%
\$200,001-300,000	6%
\$300,001-400,000	5%
\$400,001-500,000	4.5%
\$500,001+	4%

This decreasing rate will be applied to Franchisees' Gross Receipts throughout the calendar year, and will restart each January (i.e. Gross Receipts start at zero each new calendar year). This schedule will be applied on a per Territory basis, not on a per franchisee basis.

The Royalty Fee for the first 12 months of operation is the greater of: the Royalty Rate, as calculated above, or \$200 per month. The Royalty Fee during the second 12 months of operation and for the remaining Term of the Franchise Agreement (and for the entire Term of the Franchise Agreement upon Renewal) is the greater of: the Royalty Rate, as calculated above, or \$400 per month.

Operations are deemed to commence after the expiration or waiver of the Grace Period. You will waive the Grace Period if you fail to open your Property Inspection Business within 30 days of completing the initial training program, unless extended by us in our discretion.

If you are an IIF Conversion, the Royalties and Minimum Royalty may be reduced.

In the case of a transfer, or a renewal, the non-discounted royalty payment amount in the then current version of the Franchise Agreement will apply for the new owner.

The royalty fee represents payment for services performed by the Franchisor for the benefit of the Franchisee as well as the use of any Marks owned by the Franchisor. Services provided include, but are not limited to, (a) webhosting, servers and development, (b) training and professional education, (c) ongoing operational support and coaching, (d) advertising and marketing, and (e) trademark usage. While subject to change, the Franchisor and Franchisee mutually agree that the value of the current services provided by Franchisor represents 95% or more of the royalty fee, while use of the registered marks represents the balance, or 5% or less.

- 3) Marketing Fund Fee. These funds are used for local and national marketing, to generate marketing materials, and for administrative costs associated with our marketing efforts. (See ITEM 11). Currently, we will rebate up to 1% of the Marketing Fund back to Franchisees to apply toward local marketing efforts (i.e. ISN or call center costs, certain promotional items from Inspect-It 1st marketing, and certain marketing items pre-approved by us). The Marketing Fund Fee obligation is not applicable to the Pro Energy Consultants business.
- 4) Transfer Fee. You must pay a Transfer Fee of \$5,000 if you transfer, in any manner, the ownership of your franchise. The Transfer Fee includes providing our Initial Training Program to your buyer/transferee. If you opt to transfer your Inspect-It 1st business, you must also transfer your Pro

Energy Consultants business and the Transfer Fee for transferring both businesses is \$8,900.00.

- 5) **Insurance.** You must procure and maintain, at your own expense, insurance policies protecting you, us, our designated Affiliates and the officers, directors and employees of us and our designated Affiliates against any loss, liability, personal injury, death, property damage, or expense resulting from the operation of your Property Inspection Business (and Pro Energy Consultants business, if applicable) and all services you provide in connection with the operation of your Property Inspection Business (and Pro Energy Consultants business, if applicable) as we may require for your and our protection in our sole discretion in amounts set forth in the Operation Manuals (which may be adjusted in our sole discretion). You must also procure and maintain all other insurance required by state or federal law, including workers compensation insurance and unemployment insurance. The policies must also stipulate that Franchisor shall receive a thirty-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, shall be furnished to Franchisor together with proof of payment within ten days of issuance thereof. Franchisee shall also furnish Franchisor with certificates and endorsements evidencing such insurance coverage within ten 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.
- 6) **Additional Assistance.** The Initial Franchise Fee includes the initial training program for up to two people attending the same 10 business day class, assigning you a peer to review up to your first 10 practice property inspection reports, assigning you a mentor to provide reasonable telephone assistance for 8-weeks after you open your Franchise, the ACE Marketing Program, and telephone support during business hours. If you request additional assistance beyond what is provided above, you can request that we provide 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 any on-site visit. The cost of additional assistance will depend on your needs, and the amount of assistance you desire.
- 7) **Initial Training for Additional Persons.** We provide initial training for up to two people for 10 business days at no additional training fee so long as both trainees are attending the same class. You are responsible for airfare, meals, lodging, transportation and other incidental expenses. If you want additional people to attend the initial training program, we will charge a training fee of up to \$5,000 per person. You will also need to pay for airfare, lodging, ground transportation, meals, salary and benefits, and other personal expenses for each additional person while he or she is in training. Training fees can be increased or decreased by us at any time in our discretion.
- 8) **Employee Training.** All employees performing property inspection services for your Property Inspection Business must attend our training program for 10 business days. Training for two employees is provided free of charge. For additional employee training, you must pay us a training fee in the amount of \$5,000 or less. You are responsible for all costs for airfare, transportation, lodging, meals, salaries, benefits, and other personal expenses for such employees. We reserve the right to change the training fees at any time.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT:

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (2)	\$6,000- \$24,900	Lump sum	Upon signing of a Franchise Agreement	Us
Real Estate and Improvements (3)	Not Included in Total (See Note 3)			
Equipment (4)	\$500-\$1,500	Prior to opening or as arranged with Vendors	As determined by Vendors	Vendors
Computer Equipment (5)	\$0-\$2,000	Prior to opening or as arranged with Vendors	As determined by Vendors	Vendors
Marketing Supplies (6)	\$1,000-\$2,000	As agreed	As incurred	Vendors or Third Parties
Travel and Living Expenses for Training (7)	\$500-\$1,000	As agreed	During training	Hotel, Transportation, Food and Car Rental
Insurance Premiums (8)	\$2,500-\$4,000	As agreed	As incurred	Third Parties
Additional Funds for first 3 months (9)	\$3,000-\$5,000	As agreed	As incurred	Vendors or Third Parties
Additional Licensing and Membership Fees (10)	\$0-\$3,000	As agreed	As incurred	Third Parties
TOTAL (12)	\$13,500 – 43,400			

- 1) **Expenditures.** The high and low ranges in the table are based on an average Property Inspection Business. All fees imposed by us are non-refundable unless otherwise noted. 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.** The Initial Franchise Fee is \$24,900 for a Property Inspection Business. The Initial Franchise Fee for an IIF Conversion is \$6,000. The Initial Franchise Fee is due when you sign the Franchise Agreement and is non-refundable once paid (See ITEM 5).
- 3) **Real Estate Leasing.** Most current franchisees operate their Property Inspection Business from home. If you do not have adequate space in your home, you must lease space for your Property Inspection Business. Generally, this will require that you pay first and last month's rent, plus a security deposit, at the time you sign the lease. The typical office for a Property Inspection Business is located in commercial areas or strip centers containing approximately 1000 square feet. In most cases, the terms and conditions of all agreements relating to the purchase, lease, and alteration of the office will be negotiated solely by you.

- 4) Equipment. You must purchase miscellaneous tools such as ladders and meters to operate your Property Inspection Business. We provide you with a \$500 credit towards the purchase of equipment.
- 5) Computer Equipment. We provide you with a license for our proprietary report writing software as part of your initial franchise fee. If you are an IIF Conversion the license for our proprietary report writing software is not included as part of the initial franchise fee and if you do not already have such license you will be required to obtain the license and pay applicable subscription fees (i.e. currently 3DI and ISN). Additional computer equipment you will need to purchase may include a laptop, digital camera and a printer. If you already own these items your cost will be \$0.00. Refer to Item 11 for more information.
- 6) Marketing Supplies. You should plan to spend a minimum of \$1,000 on your initial purchase of Marketing Supplies. An initial supply of marketing items and apparel is included with your Initial Franchise Fee.
- 7) Initial Training - Travel and Lodging Expenses. We provide training in Phoenix, Arizona, or at another location designated by us. You must pay for airfare, meals, transportation costs, lodging and incidental expenses for all attendees of the initial training program. You may also be required to pay training fees. See ITEMS 6 and 11 of this Disclosure Document for more information on training.
- 8) Insurance Premiums. Insurance premiums will vary depending on the amounts and areas of coverage. The average annual premium costs will range between \$2,500 and \$4,000. This is only an estimate and insurance premiums may vary based on your level of experience. It is important to have your vehicle titled in your business name, and to have a commercial auto policy in force to properly protect you.
- 9) Additional Funds. 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 Property Inspection Business. It includes payroll costs, 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 are estimates. You may incur additional expenses starting your 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; and competition; and sales levels reached by your Property Inspection Business during the initial period.
- 10) Additional Licensing and Membership Fees. Your state may require you to pay licensing fees associated with a Property Inspection Business. Some states may require you to perform supervised parallel home inspections. In most cases, additional fees will

be required for parallel inspections. The cost of these parallel inspections may vary greatly. In addition, we may require you to obtain and maintain membership in certain preferred trade associations such as the American Society of Home Inspectors (ASHI).

- 11) Total Estimated Initial Investment. These figures are estimates only. You should review these figures carefully with a business advisor before making any decision to purchase the Franchise. This category does not include any sales, use, or similar taxes that may be assessed by state or local authorities. You should check with your local and state governmental agencies for any taxes that may be assessed.

As you are not permitted to open a Pro Energy Consultants business until twelve (12) months after the commencement date of your Inspect-It 1st business, the above does not include estimated initial investment expenditures for the Pro Energy Consultants business. If you decide to subsequently open a Pro Energy Consultants business, we estimate incremental investment fees will include a \$4,000 training fee, a \$10,000 equipment/marketing launch fee, incremental insurance costs of between \$350 to \$1,150, and incremental miscellaneous opening costs of between \$750 - \$3,000.

We have relied on over 10 years of experience in working with Property Inspection Businesses and in the property inspection industry to compile these estimates (and, as it relates to Pro Energy Consultants, we have relied on over 3 years of experience working with home and building performance testing and improvements businesses). This is only an estimate of your initial investment and is based on our estimate of nationwide costs and market conditions prevailing as of the date of this 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

You must establish and operate your Property Inspection Business (and Pro Energy Consultants business, if applicable) in compliance with your Franchise Agreement and the standards and specifications contained in the 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 electronic format in our discretion. We reserve the right to require you to use an electronic version of the Operations Manual. The Inspect-It 1st Operations Manual contains approximately 150 pages and the Pro Energy Consultants Operations Manual contains approximately 250 pages. The Table of Contents for the Operations Manuals are attached to this Disclosure Document as **Exhibit E**.

We do not have any purchasing or distribution co-operatives as of the date of this Disclosure Document. We may negotiate purchase arrangements with suppliers and distributors for the benefit of our Franchisees and we reserve the right to receive rebates on volume discounts from our Franchisees' purchase of any products, supplies, equipment and materials from our suppliers. However, we have received no profit from these purchase arrangements with suppliers and distributors as of the date of this Disclosure Document; all possible savings have been passed on to benefit Franchisees. Additionally, no officer owns an interest in any approved suppliers. We do not provide material benefits, such as renewing or granting additional franchises, to Franchisees based on their use of designated or approved suppliers.

From the establishment of the business to the on-going operation of it in this Agreement, you must purchase or lease all products, vehicles, equipment, forms, marketing materials, software, and supplies used in your Property Inspection Business (and Pro Energy Consultants business, if applicable) in accordance with our standards and specifications and in some cases only from us or sources authorized by us. When you sign the Franchise Agreement we will make available to you our standards and specifications and a list of our authorized suppliers as part of our Operations Manual. Our standards and specifications have been prescribed in order to maintain a uniform standard of high quality, value, customer recognition, marketing support and availability to be furnished to the public in connection with our Marks. In operating your Property Inspection Business (and Pro Energy Consultants business, if applicable), all equipment, vehicles, forms, marketing materials, products and supplies must conform to our standards and specifications which have been established through years of experience. In the future, we may modify our specifications for equipment, vehicles, forms, marketing materials, products and supplies, in our sole discretion. We have the right to change these standards and specifications on 30 days prior written notice to you. We estimate that the cost of purchases from designated or approved suppliers' represents approximately 5-10% of your total purchases in connection with the establishment of your Property Inspection Business (and Pro Energy Consultants business, if applicable) and approximately 10% of your ongoing expenses.

Franchisees operating a Property Inspection Business must use certain proprietary third-party software programs that have been customized for the Business, at Franchisee's expense. The right to use such software is granted via the Franchise Agreement. We may use other suppliers of computer software in the future. You may not contract with alternative software suppliers. We

will not derive revenue or other material considerations from the software supplier and we do not negotiate purchase agreements with software suppliers. (As to Pro Energy Consultants, if applicable, you are required to use our designated supplier of lab testing services for indoor air quality testing).

If you want to purchase or lease any products, equipment, supplies, forms, marketing, supplies, marketing or services from a supplier, other than from us or our authorized supplier, you must first notify us and obtain our written approval. We will provide you with our specifications and standards for approval. Each request must be in writing and contain the product's or service's name, manufacturer and supplier, along with its specifications, cost and uses. We may require you to submit to us sufficient specifications, photographs, drawings or other information and samples to determine whether those items meet our specifications. We may also require that our representatives be allowed to inspect the facilities of the proposed supplier or manufacturer. We may charge you a fee to evaluate the product or service or to conduct the inspection. (See ITEM 6). The fee to evaluate the product or service or to conduct the services will not exceed the reasonable cost of the inspection and the actual cost of the tests. We will review your request and we will respond in writing within 60 days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. In some situations where products may require testing by an independent entity, the request may not be approved or rejected within 60 days. In those situations, we will advise you of any delay and the approximate time for notification of authorization or rejection of the request. If a product or service is accepted, we will include it in our authorized supplier list and make it available to all of our Franchisees. If we do not authorize a product, service, or supplier, you are prohibited from using it in your Property Inspection Business. We may, at our option, re-inspect the facilities or products or service of any approved supplier and revoke our approval upon the supplier's failure to meet any of our then current minimum standards and specifications.

You may offer other services ("**Collateral Services**") from your Property Inspection Business (and your Pro Energy Consultants business, if applicable), but you must obtain our prior written approval to do so. We will respond to requests for approval to offer Collateral Services within 30 days from the date the request is received. Our failure to respond in a timely manner will be deemed a denial of your request. Collateral Services means any other business or service that is not directly or indirectly in competition with us, but is in some way related to our industry. If you offer Collateral Services at your Property Inspection Business (or your Pro Energy Consultants business, if applicable), we reserve the right to require you to pay Royalties on those Collateral Services. As of the date of this Disclosure Document, you must include those Collateral Services in your monthly reporting. You must also have a separate business license, carry separate insurance coverage, in amounts designated by us in our discretion, for any Collateral Services we approve to be offered from your Property Inspection Business, and you must indemnify and defend us in any legal action brought against us as the result of your Collateral Services.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 4.1	Item 11
b. Pre-opening purchases & leases	Sections 8.2, 9	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 3, 4.1, 8.2	Items 6, 7 and 11
d. Initial and ongoing training	Section 8.2	Item 11
e. Opening	Section 3.1	Item 11
f. Fees	Sections 5, 6.3, 6.4, 6.9, 11, 17.4	Items 5 and 6
g. Compliance with standards and policies/Operation Manual	Sections 4.4, 8.2, 9, 10	Item 11
h. Trademarks and proprietary information	Sections 10, 14	Items 13 and 14
i. Restrictions on products/services offered	Section 9	Items 13, 14 and 16
j. Warranty and customer service requirements	Section 8.2	
k. Territorial development and sales quotas	Section 4.1	Item 12
l. Ongoing product/service purchases	Sections 8.2, 8.4, 9	Item 8
m. Maintenance, appearance and remodeling requirements	Section 8.2	Item 11
n. Insurance	Section 12.1	Items 7 and 8
o. Advertising	Sections 8.2, 11	Items 6 and 11
p. Indemnification	Section 12.2	Item 6
q. Owner's participation/management/staffing	Section 8.7	Items 11 and 15
r. Records/reports	Section 6.1	Items 6 and 11
s. Inspections/Audits	Sections 6.2, 6.8	Items 6 and 11
t. Transfer	Section 15	Item 17
u. Renewal	Section 3	Item 17
v. Post-termination obligations	Sections 14.5, 14.6	Item 17
w. Non-competition covenants	Sections 14.2, 14.3, 14.4, 14.6	Item 17
x. Dispute resolution	Section 21	Item 17
y. Owners/Shareholders personal guarantee	Attachment B	Item 15

ITEM 10

FINANCING

Inspect-It 1st does not offer direct or indirect financing. Inspect-It 1st does not guarantee your note, lease, or obligation.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, Inspect-It 1st is not required to provide you with any assistance:

Pre-Opening Obligations:

Before the opening of your Property Inspection Business (or Pro Energy Consultants business, if applicable), we (or our designee) are required by the Franchise Agreement to provide the following assistance and services to you:

1. We provide you with our standards and specifications for the vehicle signs, equipment, vehicles, forms, products, and supplies. (See Section 7.3, Franchise Agreement).
2. We provide you with electronic access to our confidential and proprietary Operations Manuals (See Section 7.3, Franchise Agreement). The table of contents for each of the Manuals is attached as Exhibit E.
3. We provide an initial training program for up to two people at a location chosen by us. (See Section 7.3, Franchise Agreement). There are no separate charges for these services*. (For Pro Energy Consultants, if applicable, there will be a training fee of up to \$4,000 which must be paid to us prior to training attendance; we will also provide you with access to web-based advanced training modules for improvement services and indoor air quality testing services to complete after initial classroom training).
4. We provide a peer reviewer to review up to 10 practice inspection reports. (See Section 7.3, Franchise Agreement). There are no separate charges for these services*.
5. We provide you with advice and consultation by telephone during normal business hours, as we believe is necessary, regarding the opening of your Property Inspection Business (and your Pro Energy Consultants business, if applicable). (See Section 7.3, Franchise Agreement). There are no separate charges for these services.*
6. We may provide such pre-opening assistance just prior to and during the first week of your Property Inspection Business (and your Pro Energy Consultants business, if applicable) operations in a manner we deem appropriate in our sole determination. (See Section 7.3, Franchise Agreement).
7. We provide you with a non-exclusive license to use our property inspection report writing software, including reimbursement for the first year's maintenance fee. (See Section 7.3, Franchise Agreement).*
8. We provide you with access to our web-based Marketing and Office Management software for your Property Inspection Business.*
9. We provide you with a branded landing page, website, and email address.

10. We provide you with an equipment purchasing credit in the amount of \$500*.
11. We provide you with an infrared camera, the make and model of which is at our discretion. We will provide the infrared camera to you approximately ninety (90) days from the completion of Initial Training, or, if mutually agreed upon, we may choose to provide the infrared camera earlier.*
12. Certain states may require that you obtain additional property inspection training/licensing. We may offer you up to \$2,000 in reimbursement for such additional training (if applicable).*
13. We provide you with a \$1,000.00 credit on a marketing solutions platform. This credit can be used on various marketing items including business cards, direct mailing collateral and other promotional items.*
14. We may provide you with an initial database of up to 500 realtor contacts in your market.

**These items will not be provided if you are an IIF Conversion.*

Continuing Obligations:

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

1. We provide you advice and consultation by telephone during normal business hours as we believe is necessary, regarding the continuing operation and management of your Property Inspection Business (and your Pro Energy Consultants business, if applicable). (See Section 7.3, Franchise Agreement). There are no separate charges for these services.
2. We may formulate and make available to you marketing and promotional programs. (See Section 11, Franchise Agreement).
3. We assign you a mentor who will be available by telephone during business hours to answer your operational questions during the first 8 weeks of your Property Inspection operations (if you are already the owner of an established property inspection business, and meet certain other requirements, we will not assign you a mentor). There are no separate charges for these services. (See Section 7.3, Franchise Agreement).
4. We provide a marketing program ("ACE Marketing Program"). (See Section 7.3, Franchise Agreement).
5. If you require additional assistance beyond what is provided by us, you can request that we send a representative to provide further assistance. If we provide additional assistance at your request, we must agree in advance the charges you will pay and the length of the visit. (See Section 7.4, Franchise Agreement). The estimated charge for the additional assistance is \$50 per hour plus travel expenses. The estimated range of costs for travel is \$500 - \$1,000.
6. We may choose to provide you with continuing national, regional or local workshops

- and seminars which we hold in our discretion. (See Section 7.3, Franchise Agreement).
7. We provide training for your employees who provide property inspection services and/or marketing services for your Property Inspection Business (and your Pro Energy Consultants business, if applicable). (See Section 7.3, Franchise Agreement).

Marketing:

You must contribute to our marketing fund ("**Marketing Fund**") by paying a marketing fee ("**Marketing Fund Fee**") that is the greater of 2% of your Gross Revenues or \$50.00 each month, but not to exceed \$500 per month (such Marketing Fund is not applicable for your Pro Energy business, if applicable). The Marketing Fund Fee will be due after the Grace Period expires or is waived. The Marketing Fund Fee collected will be payable on the tenth of each month. Unless required by law, we will not be required to deposit the Marketing Fund Fee in a separate bank account, commercial account or savings account and we may place the Marketing Fund Fee in our general accounts. We will not require company-owned Property Inspection Businesses, if in existence, to contribute to the Marketing Fund. The Marketing Fund will be administered by us, in our discretion, and may use a professional marketing agency or media buyer to assist us. Currently, we will rebate up to 1% of the Marketing Fund back to Franchisees to apply toward local marketing efforts (i.e. ISN or call center costs, certain promotional items from Inspect-It 1st marketing, and certain marketing items pre-approved by us). Your contribution to the Marketing Fund will be in addition to all other marketing fund fees set out in this ITEM 11.

We may reimburse ourselves, our authorized representatives or our Affiliates from the Marketing Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting and legal expenses, taxes and all other reasonable direct or indirect expenses that may be incurred by us or our authorized representatives and associated with the programs funded by the Marketing Fund. We assume no other direct or indirect liability or obligation to collect amounts due to the Marketing Fund or to maintain, direct or administer the Marketing Fund. Any unused funds in any calendar year will be applied to the following year's funds, and we reserve the right to contribute or loan additional funds to the Marketing Fund on any terms we deem reasonable. Since we do not have this fund audited, audited financial statements are not available to you. Upon request we will make available to you an annual accounting for the Marketing Fund that shows how the Marketing Fund proceeds have been spent for the previous year.

We may use the Marketing Fund for the creation, production or placement of commercial advertising; agency costs and commissions; creation and production of video, audio and written advertisements; website creation, maintenance and promotion, administering multi-regional marketing programs, direct mail and other media marketing; in-house staff assistance and related administrative costs; local promotions; supporting public relations; market research; and other advertising and marketing activities, including participating at trade shows. Marketing may be placed in local, regional or national media of our choice, including print, direct mail, radio or television. We do not guarantee that marketing expenditures from the Marketing Fund will benefit you or any other franchisee directly, on a pro-rata basis, or at all.

In our fiscal year ended June 30, 2017, 55% of the Marketing Fund expenditures were spent on internet marketing, 16% on administration of the Marketing Fund, 6% on promotional items and 23% on cash rebates to franchisees. We did not use the Marketing Fund to solicit the sale of franchises during our last fiscal year, nor will we use Marketing Fund monies to solicit prospective

franchisees in our current fiscal year. Neither we nor our authorized representatives or Affiliates receive payments for providing goods or services to the Marketing Fund, except for reimbursement of expenses as described above.

You may create your own marketing and promotional materials; however, we must approve all marketing and promotions created by you in advance before you use them and must comply with our graphic standards. We will review your request and we will respond in writing within 10 working days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. Use of logos, Marks and other name identification materials must be consistent with our approved standards. You may not use our logos, Marks and other name identification materials on items to be sold without our prior written approval. Except as described above, we are not obligated to spend any amount on marketing in the geographical area where you are or will be located.

Computer Systems/ Hardware:

You must use certain software and related materials developed exclusively for us. You will need a laptop (or other approved hardware device) to use our report writing software. The hardware requirements are specified by the software manufacturer and are subject to change. The requirements will be provided to you upon request. Most people have a suitable hardware device already in their possession, although we suggest using your chosen hardware for business purposes only.

We may revise our specifications at any time in our discretion.

You are responsible for the ongoing maintenance, repairs or upgrades required for your computer system. We estimate the annual costs to be nominal. 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 such communications and computer-related problems.

Site Selection:

You must select the site for the Property Inspection Business (and Pro Energy Consultants business, if applicable) ("Center of Operations") subject to our approval. The Center of Operations you select may be located in your home or in commercial office space. If you elect to operate your Property Inspection Business (and Pro Energy Consultants business, if applicable) from your home, your home office must be at least 10' x 10' and be a separate room (closed off from the rest of the living area) dedicated entirely to operating your Property Inspection Business (and Pro Energy Consultants business, if applicable). If you elect to operate your Property Inspection Business (and your Pro Energy Consultants business, if applicable) in a commercial office space, your office must be at least 10' x 10' and be an independent, separate space dedicated entirely to operating such business. We have the right to inspect your Center of Operations or require that you submit photos of your Center of Operations for our approval. If we do not approve your Center of Operations you will need to locate another Center of Operations for your Property Inspection Business (and your Pro Energy Consultants business, if applicable) and receive our acceptance of the alternate Center of Operations. We will continue to review your selection of Center of Operations until one is approved by us.

You may not relocate the Center of Operations without our prior written consent. Although your Center of Operations is subject to our approval, you have the ultimate responsibility in choosing, obtaining and developing the Center of Operations for your Property Inspection Business (and your Pro Energy Consultants business, if applicable). Our consultation and approval is not a promise or guarantee that the Property Inspection Business (or the Pro Energy Consultants business) operated at your Center of Operations will be successful.

Schedule for Opening:

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of your Property Inspection Business is approximately one to three months. (You are not permitted to open your Pro Energy Consultants business until twelve (12) months after the commencement date of your Property Inspection business). Some factors which may affect this timing are the completion of the initial training program, your ability to locate an acceptable Center of Operations, the time to acquire the Center of Operations through lease negotiations, your ability to secure any necessary financing, your ability to comply with state and local inspection and business licensing and certification requirements, and the timing of the delivery and installation of equipment, supplies and products. We recommend that you complete our initial program training before applying for any applicable state exams.

Training Programs – Inspect-It 1st:

Before the opening of your Property Inspection Business, you will complete an initial training program within the first three months after signing the Franchise Agreement. Our initial training program, while subject to change, is currently delivered in three (3) Phases:

- 1) **FastStart:** Our FastStart program consists of online learning modules, book reading and weekly phone calls for the 30 days (minimum) preceding your classroom training. Our current training program requires that you pass the online portion of the program before attending the classroom portion of SIPI (as described below). If you are already the owner of an established property inspection business, and meet certain other requirements, your FastStart will consist of weekly calls only.
- 2) **Southwest Institute of Property Inspection (SIPI):** SIPI is our exclusive training school for Inspect-It 1st franchise owners and their inspectors, currently located in Phoenix, AZ although we may change the location at our discretion. SIPI provides our classroom and field training program over the course of 10 days. You must successfully complete the initial training program to our satisfaction, including our exams. Once you have received your graduation certificate, we strongly encourage you to study for and pass the National Home Inspector's Exam (NHIE). If you are already the owner of an established property inspection business, and meet certain other requirements, your SIPI training will last 4 days instead of 10.
- 3) **Launch Coaching & Mentoring:** You will continue to engage in weekly phone calls with Home Office representatives for at least 12 weeks following your completion of SIPI, as well as be assigned a Mentor who will review/approve your first 10 mandatory practice inspection reports. If you are already the owner of an established property inspection

business, and meet certain other requirements, you will engage in weekly launch coaching only.

We provide this initial training program conducted at the times and locations designated by us. You or the person responsible for performing property inspection services for the Property Inspection Business ("**Master Property Inspector**") must attend and successfully complete the initial training program. You will be required to pay for all airfare, lodging, meals, transportation, salaries, benefits, and incidental expenses incurred by all attendees attending the initial training program. (See ITEM 7).

You may have one additional person attend the initial training program at no charge, provided he/she is pre-registered for the same class. You will be responsible for all expenses for any additional individual's attendance; including the cost of airfare, lodging, meals, ground transportation, personal expenses, salaries, and benefits (See ITEM 6).

If you are an IIF Conversion, the initial training program will vary as described below.

Certain states may require that you obtain additional property inspection training/licensing. We may offer you up to \$2,000 in reimbursement for such additional training (if applicable).

Any employees you hire to conduct property inspections must successfully complete, prior to conducting any property inspections, the ten-business day employee-training program. Two employees may attend the training program at no additional charge. For additional employees beyond two, you must prepay to us the then-current training fee, which is currently \$5,000. You will be responsible for all expenses for your employee's attendance, including the cost of airfare, lodging, meals, ground transportation, personal expenses, salaries, and benefits (See ITEM 6). The training fees may be increased, decreased or waived in our sole discretion.

Each person attending the initial training program, or employee-training program, must sign our then current Non-Disclosure and Non-Competition Agreement.

The subjects covered in the initial training program are described below:

TRAINING PROGRAM

Subject	Hours of Online Training and Home Study	Hours of Classroom Training	Hours of On-the-Job Training	Location
(1) Principles of Home Inspection (2) Business Launch Preparations (3) Online Office Management & Marketing System Utilization* (4) General Technology Systems (5) Introduction to Infrared Thermography	90	0	0	Your home office
(1)ASHI Standards of Practice and Code of Ethics (2) Communication and Professional Practice (3) Exteriors/Structures		8.0		Phoenix, AZ
(1) Interiors/ Insulation, Electrical (2) Environmental Inspections		8.0		Phoenix, AZ
(1) Roofing System (2) Plumbing System		8.0		Phoenix, AZ
(1) Heating and Air Conditioning Systems		8.0		Phoenix, AZ
(1) Field Inspection and Report Writing*		2.0	6.0	Phoenix, AZ
(1) Tool Usage (2) Pool/ Spa Inspection and Reporting Writing		2.0	2.0	Phoenix, AZ
(1) Software Utilization and Report Writing*		12.0		Phoenix, AZ
(1) Field Inspection and Report Writing*		2.0	6.0	Phoenix, AZ
(1) Lead Generation* (2) Closing Strategies* (3) The ACE Marketing Plan*		8.0		Phoenix, AZ
(1) Client Relations (2) Operations and Pricing		8.0		Phoenix, AZ
(1) Coach-led Training and Mentoring/Practice Inspections (12 Weeks)*			44	Your home office
Total	90 Hours	66 Hours	58 Hours	

**If you are an IIF Conversion, your initial training will consist solely of these subjects and will last for four (4) days.*

The Franchise Operations Manual and ACE Marketing Manual are the main sources of instructional material. Mr. Elson leads our training program. Several of the additional instructors are tenured franchisees with first-hand experience and expertise pertaining to each topic.

John Elson

Mr. Elson has been an Inspect-It 1st franchise owner since 2003. John Elson has served as the Director of Education and National Technical Leader for Inspect-It 1st, LLC since June 19, 2007. Prior to that, he was the Chief Operating Officer of Inspect-It 1st Franchising Corporation since March, 2006. Mr. Elson is Director of Education and a faculty member of SIPI (Southwest Institute of Property Inspection) in Phoenix, Arizona since September, 2005. Mr. Elson is a Licensed Home Inspector in Illinois, a Licensed Home Inspector in Arizona and an ASHI Certified Inspector (American Society of Home Inspectors). Mr. Elson has an M.B.A. from the University of Denver and a Bachelor of Arts in Economics from Tulane University.

Patrick Harter

Patrick Harter is a business consultant, mentor and trainer who specializes in the needs of small businesses with a particular emphasis on marketing strategy. With over 35 years of small business experience and 16 years of Fortune 100 corporate experience, Patrick is now a self-described serial entrepreneur and helps Inspect-It 1st franchisees learn how to expand their sphere of influence by building relationships. He has worked in various capacities within Inspect-It 1st, including as a part of SIPI for almost a decade. In addition to improving the business practices of his clients, he is a mentor with the Arizona Small Business Association, and is also an adjunct instructor at Scottsdale Community College, teaching Accounting, Marketing, General Business and select software applications.

Martin Lenich

Martin Lenich began operating his Inspect-It 1st property inspection business in March 2004. Mr. Lenich has been a faculty member of SIPI since 2005. Prior to purchasing his Inspect-It 1st business, Mr. Lenich was the Process Equipment Installation Manager for Industrial Design & Construction (a subsidiary of CH2M Hill) where he supervised 150 engineers, designers and drafters. He is certified by ASHI, SIPI, and the Arizona Board of Technical Registration for home inspections.

Roger D. Skaggs

Roger Skaggs has owned and operated an Inspect-It 1st property inspection business since 1999. Since March 2002, Mr. Skaggs has acted as a property inspection and software trainer for SIPI, (Southwest Institute of Property Inspection). He also provides continuing education through SIPI for the veteran inspectors as well. Prior to providing property inspection training for Inspect-It 1st, Mr. Skaggs was a shop foreman and mechanic for Ryder Transportation Resources in Phoenix Arizona for 13 years. Mr. Skaggs currently serves on the board of directors for the Arizona Chapter of the American Society of Home Inspectors (ASHI). He is certified by ASHI, SIPI, and the Arizona Board of Technical Registration for home inspections.

The training program must be completed to the Franchisor's satisfaction.

We may conduct seminars, conferences or continuing development programs for the benefit of all franchisees. We may, in the future, require you, your Master Property Inspector and/or personnel to participate in mandatory refresher or additional training programs to train you

and your employees on optional services and to discuss personnel training, performance standards, marketing programs, merchandising procedures and other appropriate subjects. These mandatory training programs generally will be no longer than one or two days in duration. We reserve the right to charge you a fee to attend these programs. They will be held not more frequently than once a year at locations within the United States that we will specify. You must pay for your travel and living expenses incurred in attending any mandatory or voluntary seminar, conference or training program. If you or your Master Property Inspector fails to attend a mandatory annual conference, you may be required to pay the conference fee (if any), and you will be required to pay for and complete equivalent training provided at the annual conference.

Training Programs – Pro Energy Consultants (if applicable)

For a Training Fee of \$4,000, we will provide an Initial Training Program for up to two individuals (the "Initial Trainee(s)"). Each employee and owner that acts as a full time manager of your Business at any time during the franchise relationship must complete this training program prior to acting as manager. You must pay us the Additional Training Fee for each individual (other than the Initial Trainee(s)) that attends this training program, whether this training occurs before or after the opening of your Business. You must pay your travel and accommodation expenses for yourself and your employees in connection with the initial training program.

The Initial Training Program, or PEC University, is conducted in three phases. Phase One occurs during the four weeks preceding Classroom/Phase Two training, and consists of home study using materials provided by the Franchisor, weekly calls with a Franchisor representative, and basic equipment exercises.

The Phase Two/Classroom component of the initial training program lasts for a period of 5 days. Training will occur at The Pro Energy Training Center located in Cleveland, Ohio or at any other location that we designate. You must pay for traveling costs to the training location. Currently, we intend to offer the Initial Training Program at least once each calendar quarter. Phase Three/Advanced Training reinforces and elaborates on both the business development and technical skills learned in Phase Two, through 5 weeks of weekly calls and web-based modules.

INITIAL TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	HOURS OF HOME STUDY	LOCATION
1. Business Launch Preparations 2. Residential Energy 3. General Technology Systems	0	0	90	Your Home Office
1. Marketing Fundamentals 2. Marketing: Messaging and Positioning 3. Lead Generation 4. Business Development	14	0	0	Cleveland, Ohio
1. Building Science & Building Performance 2. Mechanical Systems	4	0	0	Cleveland, Ohio
1. Practical Applications of Energy Auditing 2. Improvement Practices and Strategies	4	0	0	Cleveland, Ohio
1. Hands-On Residential Field Experience	0	6	0	Cleveland, Ohio
1. Hands-On Commercial Field Experience	0	3	0	Cleveland, Ohio
1. Equipment Operation 2. Report Generation	4	0	0	Cleveland, Ohio
1. Advanced Marketing Training 2. Advanced Technical Training	0	16	10	Your territory & home office
1. 1) Online Webinar Modules	0	0	10	Your home office
1. BPI Building Analyst Certification 2. BPI Building Envelope Certification	0	0	16	Your home office
Total hours	26	25	126	

For the classroom training, the training materials will consist of the Manual. You will not be charged an additional fee for any of the training materials. The Initial Trainee(s) must complete the initial training program to our satisfaction. You may need to pass a series of quizzes and an examination at the end of the training program. The classroom component of the initial training program must be completed prior to opening. If the Initial Trainee(s) fail to successfully complete

the initial training program within 180 days after signing the Franchise Agreement, we have the option of terminating your Franchise Agreement.

Advanced/Refresher Training:

We may require that you and certain of your employees attend periodic refresher and/or advanced training courses. We may charge you a separate fee to attend these training programs, and you will be responsible for all travel, meals, lodging and other expenses incurred by you and your employees while attending any refresher or advanced training course.

Repairs/Improvements Training:

We will provide you with additional training and our Repairs/Improvements Manual at no additional charge. The Table of Contents to the Repairs/Improvements Manual is also attached to this Disclosure Document as Exhibit E. The Repairs/Improvements Manual contains a total of 59 pages. This training consists of 6 web-based training modules, as follows:

- Setting up your Business: 1 module
- Pricing, Sales and Marketing: 2 modules
- Repair/Improvement How-To: 3 modules

Building Performance Institute (BPI) Certification Training:

We provide training to obtain the BPI Building Analyst and BPI Building Envelope certifications for one person at no additional cost. We do not administer the BPI certification tests, and you are responsible for the costs associated with taking the necessary tests to achieve certification.

Indoor Air Quality Training

Indoor Air Quality testing services training is provided via live and recorded webinars, at no additional cost.

ITEM 12

TERRITORY

We designate a specific location for your office ("Center of Operations") and provide you with a designated territory ("Authorized Territory") to operate your Property Inspection Business (and your Pro Energy Consultants business, if applicable). Your territory will consist of contiguous zip codes within a single state unless otherwise approved in writing by us, and be based upon an evaluation of demographic and transactional data available from the U.S. Census Bureau or other statistical sources. Your territory will have up to 450,000 people in it. We reserve the right to change, modify, or eliminate our methodology for determining population in our sole discretion.

Subject to our approval, you may establish your Center of Operations anywhere within your Authorized Territory. You must operate your Property Inspection Business (and your Pro Energy Consultants business, if applicable) at the specific Center of Operations approved by us. You cannot move your Center of Operations without our prior written approval. Our approval of your Center of Operations does not guarantee the success of your Property Inspection Business (or your Pro Energy Consultants business, if applicable).

So long as you are in compliance with your Franchise Agreement, we will not operate a Property Inspection Business under the name "Inspect-It 1st" in your territory, nor will we grant another person or entity an inspection franchise under the name "Inspect-It 1st" within your territory (and as to your Pro Energy Consultants business, if applicable, we will not operate a home and building performance testing and improvements business under the name "Pro Energy Consultants" in your territory, nor will we grant another person or entity a home and building performance testing and improvements franchise under the name "Pro Energy Consultants" within your territory). However, we do have the right to operate and/or franchise any business within and outside your territory that does not use the Marks, even if that business competes for customers within your territory.

Continuation of your franchise within your Authorized Territory is dependent upon attaining, after the Grace Period, Gross Revenue of at least \$30,000 within the first 12 months of signing your Franchise Agreement; \$40,000 during the second 12 months; \$50,000 during the third 12 months; \$60,000 during the fourth 12 months; and \$80,000 during the fifth 12 months and for each 12 months thereafter during the remaining term. Failure to attain these levels of Gross Revenues during any of these 12 month periods may cause us to terminate your Franchise Agreement.

Customers from your Authorized Territory may purchase services from other Property Inspection Business operators (and other home and building performance testing and improvements operators). You may market your Property Inspection Business to real estate agents and brokers whose offices are located outside of your Authorized Territory but who conduct a significant amount of real estate sales and marketing activities within your Authorized Territory. You may also provide property inspection services or sell products outside of your Authorized Territory if the customer or realtor is referred to you by a realtor, homeowner, property owner, customer, mortgage lender, or broker to whom you have provided services or sold products in your Authorized Territory. Other franchisees have these same rights, and therefore your Inspect-It 1st

territory is not exclusive.

As to your Pro Energy Consultants, if applicable, you are granted permission to sell or service customers in an unsold territory adjacent to your Territory without incurring incremental fees. However, if this adjacent territory is granted to another franchisee, you must, upon written notice from us, cease all sales and service within the adjacent territory. Your exclusive rights to your Territory do not depend on achieving a certain sales volume, market penetration, or other contingency.

If we engage in electronic commerce through any other computer network site or sell through any other alternative distribution channel, we will offer any order for services in your Authorized Territory to you at the price we establish. If you choose not to fulfill the order at the price we establish or are unable to do so, then we, one of our affiliates or a third party we designate (including another Inspect-It 1st franchise or another Pro Energy Consultants franchise) may fulfill the order, and you will be entitled to no compensation in connection with that order.

We reserve the right, among others:

1. to franchise Property Inspection Businesses (and home and building performance testing and improvements businesses) at any location outside of your Authorized Territory regardless of the proximity to your Center of Operations;
2. to own or operate Property Inspection Businesses (and home and building performance testing and improvements businesses) at any location outside of your Authorized Territory regardless of the proximity to your Center of Operations or population count;
3. to use the Marks and the System to sell any products and services over the Internet. We exclusively reserve the right to use the Marks on the Internet as a channel of distribution and you may not independently market on the Internet or conduct e-commerce using our Marks;
4. 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 property inspection service business (or a home and building performance testing and improvements business) at any location, including within the Authorized Territory, which may be the same as, similar to or different from the Property Inspection Business (or your Pro Energy Consultants business, if applicable) operated by you;
5. to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your Property Inspection Business (or your Pro Energy Consultants business, if applicable), wherever located; to implement multi-area marketing programs which may allow us or others to solicit or provide services to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs.

ITEM 13

TRADEMARKS

The Franchise Agreement grants you the nonexclusive right to use our Marks, including both the service marks "INSPECT-IT 1st®" and "Pro Energy Consultants", and various designs and logo types associated with our services. You may also use our other current or future Marks as we may designate to operate your Property Inspection Business (and your Pro Energy Consultants business, if applicable). You must indicate, as required in the Franchise Agreement and specified in the Operations Manual, that you are an independent operator of the Property Inspection Business (and the Pro Energy Consultants business, if applicable) and you shall use only the appropriate and authorized Marks as indicated by us and only on approved products, materials and services.

We have registered the following principal Mark with the United States Patent and Trademark Office ("USPTO") on the Principal Register:

Mark	Registration Date	Registration No.
INSPECT-IT 1ST	September 19, 2000	2,388,517
BEFORE YOU BUY OR SELL, INSPECT-IT 1ST	October 14, 2008	3,514,600

The following PEC trademarks have also been assigned to Inspect-IT 1st.

Mark	Registration Date	Registration No.
Pro Energy Consultants® (Word Mark)	June 16, 2009	3,638,955
 proenergy® consultants	February 28, 2012	4,104,897
The Energy Experts®	January 1, 2013*	4,269,963

**This trademark has been registered on the USPTO supplemental register.*

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, except as we license to you. You must get our prior written approval of your company name before you file any registration documents. Guidelines regarding proper trademark use and notices are in the Operations Manual and will be updated periodically in our discretion.

You may not use our Marks with an unauthorized product or service, or in a manner not authorized in writing by us.

We have filed all required affidavits. 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 which 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 will take the action necessary, in our sole discretion, to protect the unauthorized use of our Marks, which may include payment of reasonable costs associated with the action. We may, but are not required to, participate in the defense of any legal action that you are involved in because of your use of the Mark.

You must modify or discontinue the use of a Mark if we modify or discontinue its use at your expense. You must not directly or indirectly contest our right to our Marks, trade secrets or business techniques that are part of our business of the System.

We do not know of any infringing uses that could materially affect your use of our Marks. You should understand that there could be other businesses using trademarks, trade names, or other commercial symbols similar to our Marks with superior rights to our rights. Before opening your Property Inspection Business (and your Pro Energy Consultants business, if applicable), you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise in order to avoid the possibility of having to change your Property Inspection Business name (or your Pro Energy Consultants business name, if applicable).

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

The information contained in the Operations Manual and the Marketing Manual is proprietary and is protected by copyright and other laws. The Operations Manual and the Marketing Manual and the limitations of the use of it by you and your employees are described in ITEM 11. The designs contained in the Marks, the layout of our marketing materials and reports, as well as any other writings or recordings in print or electronic form are also protected by copyright and other laws. Although we have not filed an application for copyright registration for the Operations Manual, the Marketing Manual, the Marks, the marketing materials, reports and 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 ("**Copyright Works**") in connection with your operation of your Property Inspection Business (and your Pro Energy Consultants business, if applicable), but such copyrights remain our sole property.

You must notify us immediately 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 Copyright Works or if someone challenges your use of our Copyright Works. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyright Works, which may include payment of reasonable costs associated with the action.

We will indemnify, hold harmless, and reimburse you for your liability and reasonable costs in connection with defending your use of our Marks. To receive reimbursement you must have notified us within the required timeframe upon your learning of the use of identical or substantially similar language or visual image, and you must have used the Copyright Works only per the terms of the Franchise Agreement.

You must add, modify, or discontinue the use of a Copyright Work if we instruct you to do so. You must not directly or indirectly contest our rights to any of our Copyright Works that are part of our business or the System.

Our Operations Manual, Marketing Manual, electronic information and communications, sales and promotional materials, the development and use of our System, and other related materials are proprietary and confidential and are considered to be our property to be used by you only as described in the Franchise Agreement, the Operations Manual, or the Marketing Manual. Where appropriate, certain information has also been identified as trade secrets ("**Trade Secrets**"). You must maintain the confidentiality of our information and adopt reasonable procedures to prevent unauthorized disclosure of our Trade Secrets and confidential information. We reserve the right to convert the Operations Manual or Marketing Manual into an exclusively electronic format and to require you to access the document through the Internet or through an intranet created and supported by us.

No patents are material to us at this time.

We own all records with respect to the customers, names and addresses of realtors/brokers, lenders, agents, suppliers, and other service providers of, and related in any way to, your Property Inspection Business (and your Pro Energy Consultants business, if applicable). We also own all products, services, inventions, improvements, derivatives, adaptations, developments, modifications and enhancements that you or your employees make to our System or develop in relation to our System or the Property Inspection Business (and the Pro Energy Consultants business, if applicable). This includes, without limitation, all databases (whether in print, electronic, or other form), including, among other things, all customer names, addresses, phone numbers, e-mail addresses, and purchase records. We may contact any or all of your customers, suppliers, and other service providers for quality control, market research, and such other purposes as we deem appropriate, in our sole discretion.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You, your managing shareholder or partner, or your Master Property Inspector must participate personally in the direct operation of your Property Inspection Business and must devote your full time and best efforts to the management and operation of the Property Inspection Business. If the Master Property Inspector is terminated, you must either be responsible for the on-site supervision of the Property Inspection Business or designate a new Master Property Inspector. You, or the new Master Property Inspector must successfully complete our initial training program, at your cost as described in ITEM 11 prior to conducting any property inspections.

As a legal or business entity, we require that each of your officers, directors, partners, shareholders or members execute our standard Guaranty and Assumption of Franchisee's Obligations. (See Franchise Agreement **Attachment B**).

In signing the Franchise Agreement, you acknowledge that the risks, financial and otherwise, which are inherent with the beginning of any new business, are yours alone. We, as a matter of policy, will not assist you in any decision-making process that may affect the operations of your Property Inspection Business (and your Pro Energy Consulting business, if applicable). The success or failure of the franchise as a business enterprise is dependent on your efforts. The purchase of this franchise should not be considered by anyone who is unfamiliar with standard business practices or is unwilling to accept the responsibilities associated with running a small business.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must refrain from using or permitting the use of your Property Inspection Business (and Pro Energy Consulting business, if applicable) for any other purpose or activity at any time, including the offering of Collateral Services, without first obtaining our written consent.

You must sell or offer for sale only these services and products which are authorized by us and which meet our standards and specifications. (See ITEM 8). You must follow our policies, procedures, methods, and techniques. You must sell or offer for sale all types of services and products specified by us. We may change or add to our required services and products at our discretion with prior notice to you. There is no limit to us requiring changes. You must discontinue selling and offering for sale any services or products which we may, in our discretion, disapprove in writing at any time. We reserve the right to establish maximum prices for use with multi-area marketing programs and special price promotions.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 3.1	The standard Term is 10 years. The IIF Conversion Term is 5 years.
b. Renewal or extension of the term	Section 3	If you are not in default or been in default more than 2 times in the 24 months prior to the expiration of the Term and you satisfy certain conditions (including, but not limited to, complying with all of the terms of the Franchise Agreement), you may renew for an additional 10 year Term (or 5 year term for a IIF Conversion). The contract form may have materially different terms and conditions than your original contract.
c. Requirements for franchisee to renew or extend	Section 3	Sign a new Franchise Agreement within 30 days of receipt, sign a release, and provide us with at least 6 months and no more than 9 months prior notice of your intent to renew. You must also sign a Waiver and Release of Claims Agreement.
d. Termination by franchisee	Section 17.1	You can terminate only if we fail to cure a material default or if you and we mutually agree to terminate. You must provide 30 days advance written notice.
e. Termination by franchisor without cause	None	Not applicable.
f. Termination by franchisor with cause	Sections 17.2, 17.3	We can terminate if you commit any one of several violations.
g. "Cause" defined – curable defaults	Section 17.3	You have 30 days to cure certain violations, including failure to comply with the Franchise Agreement, System, Manual, non-payment of fees and other obligations, and failure to comply with federal, state and local laws.

Provision	Section in Franchise Agreement	Summary
h. "Cause" defined – non-curable defaults	Sections 17.2	Non-curable defaults include abandonment, bankruptcy, insolvency or reorganization, conviction of a felony, non-approved transfer, loss of possession, trademark misuse, failure to attain minimum Gross Revenue requirements of \$30,000 during the first 12 months of signing the Franchise Agreement (after the Grace Period); \$40,000 during the second 12 months; \$50,000 during the third 12 months; \$60,000 during the fourth 12 months; and \$80,000 during the fifth 12 months and for each 12 months thereafter during the remaining term, and failure to strictly comply with the arbitration process described in the Franchise Agreement.
i. Franchisee's obligations on termination/non-renewal	Section 17.5, 17.6	Obligations include complete de-identification, non-competition, payment of amounts due, and removal and return of licensed Software. Upon the termination of the Franchise Agreement in accordance with the terms of the Agreement, except in the case of a transfer, you shall pay to us, within seven (7) days of the date of termination, as liquidated damages for the premature termination of the Franchise Agreement and not as a penalty, an amount equal to 3½ times the royalty fee payable to us during the twelve (12) months prior to the effective date of the termination. If you have been operational for less than twelve (12) months you shall pay an amount equal to 3½ times the royalty fee payable to us for the entire period the Franchised Business has been open for business. If applicable, you must return to us in good working condition (to be determined by us, and if not in good working condition, you must pay us the fair market value, as determined by us) the infrared camera, blower door, indoor air quality testing equipment, and any applicable accessories. If not in good working condition, you must pay us the fair market value, as determined by us.
j. Assignment of contract by franchisor	Sections 15.1	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Section 15.2, 15.3	Includes transfer of interest in Franchise Agreement, franchise, all or a substantial portion of the assets of your Property Inspection Business or change in entity form.

Provision	Section in Franchise Agreement	Summary
l. Franchisor approval of transfer by franchisee	Section 15.2	We have the right to approve all transfers.
m. Conditions for franchisor approval of transfer	Section 15.5	New franchise owner qualifies, no existing defaults, transfer fee paid, release signed by you, the execution of a new Franchise Agreement, training arranged and transferee's guaranty and Non-Disclosure and Non-Competition Agreement executed.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 16	We can match any offer for your Property Inspection Business.
o. Inspect-It 1st's option to purchase franchisee's business	Section 16.1	Upon termination or expiration of the Franchise Agreement, we have an option to buy the Property Inspection Business (and Pro Energy Consultants business, if applicable) and all furniture, equipment, products, accounts, and other business assets at the current fair market value.
p. Death or disability of franchisee	Section 15.7	We have the right to buy the Property Inspection Business (and Pro Energy Consulting business, if applicable). If we do not buy the Business, it must be transferred to an approved next of kin or legatees within 30 days of our notice that we will not be purchasing the Business. Franchisor has the right to immediately begin operating the Property Inspection Business (and Pro Energy Consulting business, if applicable) until approval of next of kin or legatee completes requirements in the Franchise Agreement or we complete the purchase of the Business.
q. Non-competition covenants during the term of the franchise	Section 14.2	No involvement in any competitive business.
r. Non-competition covenants after the franchise is terminated or expires	Section 14.3	No involvement in a competitive business for two years within your Authorized Territory or any other franchisee's Authorized Territory; a 50-mile radius of your Authorized Territory or another franchisee's Authorized Territory; or within a 50-mile radius of a company-owned Property Inspection Business.
s. Modification of the agreement	Section 19.19	Operations Manual and Marketing Manual are subject to change. Otherwise no modifications unless in writing and signed by both parties.
t. Integration/merger clause	Section 19.11	Operations Manual, Marketing Manual, written related agreements, the State Addendum, and the Franchise Agreement supersedes all prior agreements (subject to state law). Any other promises may not be enforceable.

Provision	Section in Franchise Agreement	Summary
u. Dispute resolution by arbitration or mediation	Section 20	Except for certain claims, all disputes must be arbitrated.
v. Choice of forum	Section 20.1	Subject to the Ohio state law, except as provided in the State Specific Addendum. <u>See Exhibit G.</u>
w. Choice of law	Section 20.1	Subject to the Ohio state law, except as provided in the State Specific Addendum. <u>See Exhibit G.</u>

ITEM 18

PUBLIC FIGURES

We do not use any public figures to promote our franchises:

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.

During the fiscal year, there were 24 operational franchise locations and 3 non-operational franchise locations. The data does not include franchise locations that were non-operational or those that were operational for less than 12 months.

Inspect-It 1st – Property Inspection Business:

The data below was calculated based on the twelve (12) months ending June 30, 2017 in accordance with our Fiscal Year End and includes seventeen (17) franchisees that completed at least twenty-four (24) months of reporting for the preceding months.

Average Revenue per Franchisee	\$107,526.72
Median Revenue per Franchisee	\$83,786.29
Average Residential Inspection Transaction Fee	\$430.51

**A transaction fee may also include additional inspection services provided to a single client as part of an inspection (such as radon testing or pool/spa inspection). Not all franchisees provide such additional services and the service offerings vary by geographical demand.*

Some franchisees have achieved revenues in these amounts; there is no assurance that you will do as well. If you rely on our figures, you must accept the risk of not doing as well. A new franchisee's results are likely to differ from the results stated in the financial performance representation. We do not require Franchisees to submit audited financial statements and therefore cannot accurately report on expenses and profits.

Written substantiation for this data is available upon request. This information has not been audited. Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives

to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our Legal and Compliance Department which maintains offices located at 7100 E. Pleasant Valley Rd., Ste. 300, Independence, OH 44131, (877) 392-6278, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND INSPECT-IT 1st FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary
For years 2015 to 2017

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2015	30	32	+2
	2016	32	28	-4
	2017	28	24	-4
Company Owned	2015	0	0	0
	2016	0	0	0
	2017	0	0	0
Total Outlets	2015	30	32	+2
	2016	32	28	-4
	2017	28	24	-4

Table No. 2

Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor)
For years 2015 to 2017

Column 1	Column 2	Column 3
State	Year	Number of Transfers
All	2015	1
	2016	0
	2017	0
Total	2015	1
	2016	0
	2017	0

Table No. 3

**Status of Franchised Outlets
For years 2015 to 2017**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations- Other Reasons	Col. 9 Outlets at End of the Year
Alabama	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Arizona	2015	4	0	1	0	0	0	3
	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
California	2015	2	0	0	0	0	0	2
	2016	2	0	1	0	0	0	1
	2017	1	0	0	0	0	0	1
Colorado	2015	1	0	0	0	0	0	1
	2016	1	0	1	0	0	0	0
	2017	1	0	0	0	0	0	1
District of Columbia	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Florida	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	1	0	0	0	0
Georgia	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	1	0	0	0	1
Idaho	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Illinois	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Indiana	2015	1	0	0	0	0	0	1
	2016	1	1	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Iowa	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
Kansas	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Kentucky	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Maine	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Maryland	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Michigan	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Minnesota	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Missouri	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Montana	2015	1	1	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	1	0	0	0	1
Nevada	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
New Mexico	2015	4	0	0	0	0	0	4
	2016	4	0	0	0	0	0	4
	2017	4	0	0	0	0	0	4
New York	2015	1	1	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Ohio	2015	0	1	0	0	0	0	1
	2016	1	1	0	0	0	0	2
	2017	2	0	0	0	0	0	2

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
Oregon	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Pennsylvania	2015	6	0	0	0	0	0	6
	2016	6	0	4	0	0	0	2
	2017	2	0	0	0	0	0	2
South Carolina	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Texas	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Utah	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	1	0	0	0	0
Virginia	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Total	2015	30	3	1	0	0	0	32
	2016	32	2	6	0	0	0	28
	2017	28	0	4	0	0	0	24

Table No. 4**Status of Company-Owned Outlets
For years 2015 to 2017**

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
All	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
Total	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0

Table No. 5
Projected Openings as of June 30, 2017**

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company – Owned Outlets in the Next Fiscal Year
California	0	0	0
Colorado	0	0	0
Florida	0	0	0
Georgia	0	0	0
Illinois	0	0	0
Maryland	0	0	0
Michigan	0	0	0
Montana	0	0	0
Nebraska	0	0	0
Nevada	0	0	0
Ohio	0	0	0
New Mexico	0	0	0
New York	0	0	0
Pennsylvania	0	0	0
Tennessee	0	0	0
Texas	0	0	0
Utah	0	0	0
Wyoming	0	0	0
TOTALS	0	0	0

**** These are the combined projections for Pro Energy Consultants and Inspect-It 1st**

Exhibit F lists all the names of the current franchisees and the addresses and telephone numbers of their outlets as of June 30, 2017.

Exhibit I lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system. Also, there are no trademark-specific franchisee organizations associated with the franchise system being offered.

ITEM 20
OUTLETS AND PRO ENERGY CONSULTANTS FRANCHISEE INFORMATION
(Who signed a Pro Energy Consultants Franchise Agreement)

Table No. 1
Systemwide Outlet Summary
For years 2015 to 2017 ending June 30

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2015	15	10	-5
	2016	10	6	-4
	2017	6	4	-2
Affiliate-Owned	2015	3	3	0
	2016	3	3	0
	2017	3	3	0
Total Outlets	2015	18	13	-5
	2016	13	9	-4
	2017	9	7	-2

This includes the Business operated by one of our principals under the name "Home Energy Consultants".

Table 2
Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor)
For years 2015 to 2017 ending June 30

State	Year	Number of Transfers
Washington	2015	0
	2016	0
	2017	0
Kansas	2015	0
	2016	0
	2017	0
Ohio	2015	0
	2016	0
	2017	0
Total	2015	0
	2016	0
	2017	0

Table 3
Status of Franchised Outlets
For years 2015 to 2017 ending June 30

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Alabama	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Arizona	2015	3	0	0	0	0	0	3
	2016	3	0	3	0	0	0	0
	2017	0	0	0	0	0	0	0
Arkansas	2015	1	0	1	0	0	0	1
	2016	1	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
California	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Colorado	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Connecticut	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Florida	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Georgia	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Illinois	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Indiana	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Iowa	2015	1	0	0	0	0	0	1
	2016	1	0	1	0	0	0	0
	2017	0	0	0	0	0	0	0
Kansas	2015	0	0	0	0	0	0	0

	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Maryland	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Massachusetts	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Michigan	2015	1	0	0	0	0	0	1
	2016	0	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Minnesota	2015	2	0	2	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Missouri	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Montana	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Nevada	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
New Mexico	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
New Jersey	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
New York	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
North Carolina	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Ohio	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Oklahoma	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2

	2017	2	0	2	0	0	0	0
Oregon	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017							
Pennsylvania	2015	1	0	1	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
South Carolina	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Tennessee	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Texas	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Utah	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Virginia	2015	1	0	1	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Washington	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
U.S. Totals	2015	15	0	5	0	0	0	10
	2016	10	0	4	0	0	0	6
	2017	6	0	2	0	0	0	4

United Kingdom	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Total	2015	15	0	5	0	0	0	10
	2016	10	0	4	0	0	0	6
	2017	6	0	2	0	0	0	4

Table No. 4
Status of Affiliate-Owned Outlets*
For years 2015 to 2017 ending June 30

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquire From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Ohio	2015	3	0	0	0	0	3
	2016	3	0	0	0	0	3
	2017	3	0	0	0	0	3
Totals	2015	3	0	0	0	0	3
	2016	3	0	0	0	0	3
	2017	3	0	0	0	0	3

*We do not operate any company-owned outlets.

Pro Energy Consultants – Home and Building Performance Testing and Improvements Business:

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 our Legal and Compliance Department which maintains offices located at 7100 E. Pleasant Valley Suite 300 Independence, Ohio 44131, the Federal Trade Commission, and the appropriate state regulatory agencies.

A list of all current Pro Energy Consultants franchisees is attached to this Disclosure Document as Exhibit D (Part A), including their names and the addresses and telephone numbers of their outlets as of June 30, 2017. In addition, Exhibit D (Part B) lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with Pro Energy Consultants within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the Franchise System. We have not created, sponsored or endorsed any trademark specific franchisee organization nor have any independent franchisee organizations asked to be included in this disclosure document. During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

In accordance with the California Rules of Civil Procedure Section 310.114.1(c)(6), be advised that the earnings claim does not include costs of sales, operating expenses, or other costs or expenses that must be deducted from gross revenue or gross sales figures to obtain net income of profit.

ITEM 21

FINANCIAL STATEMENTS

Attached hereto as EXHIBIT D are the audited Consolidated Financial Statements of Merrymeeting, Inc. and its subsidiaries for the years ending June 30, 2017, 2016, and 2015. Merrymeeting has absolutely and unconditionally guaranteed to assume our duties and obligations under the Franchise Agreement should we become unable to perform these duties and obligations. A copy of Merrymeeting's guarantee is in Exhibit D.

ITEM 22

CONTRACTS

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

Exhibit C: Franchise Agreement (including Attachments)

Exhibit G: State Addendum

Exhibit H: Termination Agreement

Exhibit J: Waiver and Release of Claims

ITEM 23

RECEIPTS

Two acknowledgements of your receipt of this Disclosure Document are attached as EXHIBIT J. Please sign both and return one signed original to us and retain the other for your records.

EXHIBIT A

FRANCHISE REGISTRATION/DISCLOSURE & BUSINESS OPPORTUNITY STATES **DIRECTORY OF STATE AGENCIES**

Listed here are names, addresses, and telephone numbers of state and federal agency personnel having responsibility for franchising disclosure/registration laws and selected business opportunity laws. Entries for Alberta and the Federal Trade Commission appear at the end of the list.

REGISTRATION STATES:

California

Department of Corporations:

Los Angeles

320 West 4th Street
Suite 750
Los Angeles, California 90013
(213) 576-7500
(866) 275-2677

Sacramento

1515 K Street
Suite 200
Sacramento, California 95814
(916) 445-7205
(866) 275-2677

San Diego

1350 Front Street
Room 2034
San Diego, California 92101
(619) 525-4233
(866) 275-2677

San Francisco

71 Stevenson Street
Suite 2100
San Francisco, California 94105
(415) 557-3787

(866) 275-2677

Commissioner of Corporations
Preston DuFauchard

Illinois

Robert A. Tingler, Chief
Franchise Bureau
Office of Attorney General
Room 12-178
100 W. Randolph Street
Chicago, Illinois 60601
(312) 814-3892

Registration & Materials Inquiries:
500 S. Second Street
Springfield, Illinois 62706
(217) 782-4465

Attorney General
Jim Ryan

Indiana

Patrick Sanders
Chief Deputy Commissioner
Franchise Section
Indiana Securities Division
Secretary of State
Room E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

Securities Commissioner
Bradley W. Skolnik

Iowa

(Business Opportunity Promotions Law)

Dennis Britson
Director of Regulated Industries Unit
Iowa Securities Bureau
340 East Maple
Des Moines, Iowa 50319-0066
(515) 281-4441
FAX: (515) 281-6467

Hawaii

Business Registration Division
Securities Compliance
Department of Commerce and Consumer Affairs
1010 Richards Street
Honolulu, Hawaii 96813
(808) 586-2727

Director, Department of Commerce and Consumer Affairs
Kathryn S. Matayoshi

Maryland

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202
(410) 576-6360

Michigan

Marilyn McEwen
Franchise Administrator
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 Law Building
Lansing, Michigan 48913
(517) 373-7117

Minnesota

Ann Hagestad
Franchise Examiner
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198
(651) 296-4026

Commissioner of Commerce
James C. Bernstein

New York

Joseph J. Punturo
Assistant Attorney General
Bureau of Investor Protection and Securities
New York State Department of Law
23rd Floor
120 Broadway
New York, New York 10271
(212) 416-8211

North Dakota

Diane Lillis
Franchise Examiner
Office of Securities Commissioner
Fifth Floor
600 East Boulevard
Bismarck, North Dakota 58505
(701) 328-4712

Securities Commissioner
Syver Vinje

Rhode Island

Director
Department of Business Regulation
Division of Securities
1511 Pontiac Ave.
Bldg. 60, 1st Floor
Cranston, Rhode Island 02920
(401) 222-3048

South Dakota

Department of Labor and Regulation
Division of Securities
124 South Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-4823

Director, Division of Securities
Gail Sheppick

Virginia

Stephen W. Goolsby
Chief Examiner
State Corporation Commission
Ninth Floor
1300 E. Main Street
Richmond, Virginia 23219
(804) 371-9051

Director, Division of Securities and Retail Franchising
Ronald W. Thomas

Washington

Deborah Bortner, Administrator
Department of Financial Institutions
Securities Division
150 Israel Rd SW
Tumwater, WA 98501
(360) 902-8760

FAX: (212) 416-8816

Assistant Attorney General in Charge
David Brown

Attorney General
Eliot Spitzer

Wisconsin

James R. Fischer
Franchise Administrator
Division of Securities
Department of Financial Institutions
P.O. Box 1768
Madison, Wisconsin 53701
(608) 266-8559

Administrator, Division of Securities
Patricia Struck

DISCLOSURE ONLY:

Oregon

Dick Nockledy
Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4140

BUSINESS OPPORTUNITY STATES (FRANCHISORS FILE FOR EXEMPTION):

Connecticut

(Requires registration if the franchisor doesn't have
a federal trademark registration)**

(Business Opportunity Investment Act)

Cynthia Antanaitis
Assistant Director
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103
(860) 240-8233
E-mail:

Eric J. Wilder
Assistant Director
Securities and Business Investment Division
Connecticut Department of Banking
260 Constitution Plaza
Hartford, Connecticut 06103
(860) 240-8232
E-mail:

Connecticut (cont.)

Chief Administrative Attorney
Gayles S. Fierer

*Director, Securities and Business Investment
Division*
Ralph A. Lambiase

Banking Commissioner
John P. Burke

Florida

(Sale of Business Opportunities Act)

Bob James
Senior Consumer Complaint Analyst
Department of Agriculture and Consumer Services
Division of Consumer Services
227 N. Bronough Street
City Central Building
Suite 7200
Tallahassee, Florida 32301
(850) 922-2770
FAX: (850) 921-8201

Nebraska

(Seller-Assisted Marketing Plan Law)

Karen Reynolds
Securities Analyst
Department of Banking and Finance
1200 N Street
Suite 311
P.O. Box 95006
Lincoln, Nebraska 68509
(402) 471-3445

Texas

(Business Opportunity Act)

Dorothy Wilson
Statutory Document Section
Secretary of State
P.O. Box 12887
Austin, Texas 78711
(512) 475-1769

Utah

(Business Opportunity Disclosure Act)

Francine A. Giani
Director
Division of Consumer Protection
Utah Department of Commerce
160 East Three Hundred South
P.O. Box 45804
Salt Lake City, Utah 84145-0804
(801) 530-6601
FAX: (801) 530-6001

Alberta

R.J. (Rudy) Palovcik
Director, Industry Standards
Department of Municipal Affairs
Housing and Consumer Affairs Division
16th Floor, Commerce Plaza
10155 - 102 Street
Edmonton, Alberta, Canada T5J 4L4
(403) 422-1588
FAX: (403) 427-3033

Federal Trade Commission

Division of Marketing Practices
Bureau of Consumer Protection
Pennsylvania Avenue at 6th Street, NW
Washington, D.C. 20580
(202) 326-3128

EXHIBIT B

AGENTS FOR SERVICE OF PROCESS

CANADA-ALBERTA

Director of Industrial Standards
Department of Municipal Affairs
Housing and Consumer Affairs, 16th Floor, Commerce
Place 101 55-102nd
Edmonton, Alberta Canada T5J4L4

CALIFORNIA

Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013

HAWAII

Business Registration Division
Department of Commerce and Consumer Affairs
1010 Richards Street
Honolulu, Hawaii 96813

ILLINOIS

Illinois Attorney General's Office
500 South Second Street
Springfield, Illinois 62706

INDIANA

Secretary of State
201 State House
Indianapolis, Indiana 46204

NEW YORK

Secretary of State of the
State of New York
162 Washington Avenue Albany, New York 12231

OREGON

Director Department of Consumer and
Business Services Corporate
Securities Section Labor and
Industries Building
Salem, Oregon 97310

RHODE ISLAND

Director
Department of Business Regulation
Division of Securities
1511 Pontiac Ave. Bldg. 60,
1st Floor Cranston,
Rhode Island 02920

MICHIGAN

Department of the Attorney General's Office
Consumer Protection Division
Attn: Franchise
670 Law Building
Lansing, Michigan 489213

MINNESOTA

Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198

NEBRASKA

Nebraska Department of Banking and Finance
1200 N Street
P.O. Box 95006
Lincoln, Nebraska 68509-5006

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue, 5th Floor
Bismarck, North Dakota 58505-0510

SOUTH DAKOTA

Department of Labor and Regulation
Division of Securities
124 S. Euclid. Ste 104
Pierre, South Dakota 57501
(605) 773-4823

TEXAS

Secretary of State
P.O. Box 12887
Austin, Texas 78711

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219

WASHINGTON

Dept. of Financial Institutions
Securities Administrator
150 Israel Rd. SW
Tumwater, WA 98501

MARYLAND

Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020

WISCONSIN

Commissioner of Securities
Franchise Investment Division Fourth Floor
101 East Wilson Street
Madison, Wisconsin 53703

EXHIBIT C
FRANCHISE AGREEMENT



Inspect-It 1st, LLC
FRANCHISE AGREEMENT

Franchisee: _____

Date: _____

Center of Operations: _____

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ATTACHMENT:

- A.** Center of Operations and Authorized Territory
- B.** Guaranty and Assumption of Franchisee's Obligations
- C.** Statement of Ownership
- D.** Collateral Assignment of Telephone Numbers, Telephone Listings and Internet Addresses

- E. Authorization Agreement for Preauthorized Payment Services**
- F. Compliance Certification Form**
- G. Pro Energy Consultants Amendment**

FRANCHISE AGREEMENT

This **FRANCHISE AGREEMENT** ("**Agreement**") is made this ___ day of _____, 20___, by and between **Inspect-It 1st, LLC**, a Delaware Limited Liability company having its main office at 7100 E. Pleasant Valley Rd., Ste. 300, Independence, OH 44131 ("**Franchisor**"), and _____, located at _____ ("**Franchisee**").

RECITALS

WHEREAS, the distinguishing characteristics of the System include the trademarks "**Inspect-It 1st®**" and "**Pro Energy Consultants**" other trademarks and trade names, confidential operating procedures, confidential operations manual, standards and specifications for equipment, services and products, method of Internet usage, proprietary software, methods of service, and 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 time to time. They are known as "**Trade Secrets**" and are designated by and identified with the marks described in this Agreement;

WHEREAS, the Franchisor identifies itself and its products and services by means of certain trade names, trademarks, service marks, logos, and emblems, including the trademarks "**Inspect-It 1st®**," and "**Pro Energy Consultants**" which are now, or may be in the future, designated by the Franchisor in writing for use in connection with the System ("**Marks**");

WHEREAS, the Franchisor continues to use, develop and control the use of the Marks in order 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, the 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 the Franchisee, the Franchisor, and other franchisees of the Franchisor;

WHEREAS, Franchisee desires to purchase from Franchisor the right to open and operate a Property Inspection Business using the **Inspect-It 1st** Marks and, additionally Franchisor is willing to provide Franchisee with a future right (not an obligation) to open and operate a Home and Building Performance Testing and Improvements Business, hereafter referred to individually as "**Pro Energy Consultants Business**" using the **Pro Energy Consultants Marks**;

WHEREAS, the 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 Property Inspection Business (and, if applicable to Franchisee, a **Pro Energy Consultants Business**)) in conformity with the System, whether such Property Inspection Business (and, if applicable, such **Pro Energy Consultants Business**) be in the Franchisee's home or an outside leased or owned location (collectively, the "**Business**");

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

WHEREAS the Franchisee is aware of the previous terms and is desirous of obtaining the right to use the System and in association therewith, the right to use the Marks, and wishes to be assisted, trained, and franchised to operate a Business pursuant to the provisions of and at the location within the authorized territory specified in this Agreement, subject to the terms and conditions contained in this Agreement; The parties therefore agree as follows:

DEFINITIONS

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

- a) **"Agreement"** - means this agreement, attachments, and all instruments in amendment hereof.
- b) **"Affiliates"** - means any person or entity which controls, is controlled by, or is in common control with, the Franchisor.
- c) **"Business" or "Property Inspection Business" or "Pro Energy Consultants Business"** - means the business operations conducted or to be conducted by the Franchisee consisting of commercial and residential building inspection services and other property inspection services (and, if elected by Franchisee, the business operations of a Pro Energy Consultants Business), using the Franchisor's System and in association therewith the Marks.
- d) **"Center of Operations"** - means the premises where the Property Inspection Franchise is operated from, including the Franchisee's home or an outside leased or owned location, or any other location as may be mutually agreed upon between the Franchisor and the Franchisee in writing.
- e) **"Collateral Services"** - means any business or service provided by Franchisee at the Center of Operations that is not part of the System and is not in direct or indirect competition with Franchisor's products and Services but is related to the property inspection industry.
- f) **"Confidential Information"** - means all knowledge, know-how, standards, methods and procedures related to the establishment and operation of a Property Inspection Business (and, if elected by Franchisee, a Pro Energy Consultants Business) 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.

- g) **"Franchisee"** - means the reference to "Franchisee" which are applicable to an individual or individuals will mean the principle owner or owners of the equity or operating control of the Franchisee.
- h) **"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, for the sales and marketing of the Franchisor's Services (as defined below) and products.
- i) **"Gross Revenue"** - means the total of all receipts derived from Services performed, products sold and Collateral Services from the Franchisee's Center of Operations (as defined in Section 2.1(a) of this Agreement) or Authorized Territory (as defined in Section 4.1(a)), whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, coupons, services, property or other means of exchange. Gross Revenues include receipts from all sales, service, labor, etc. related to the operation of the Franchisee's Business or Collateral Services. Gross Revenue does not include:
 - a. 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 such tax is shown separately and in fact paid by the Franchisee to the appropriate governmental authority;
 - b. Promotional or discount coupons to the extent that the Franchisee realizes no revenue;
 - c. Sums due to third party contractors for outsourced, specialty inspection services; prior approval by Franchisor required; and
 - d. Sums due to third party contractors for outsourced specialty services related to Franchisee's Pro Energy Consultants Business (if applicable).
 - e. Gross Revenue shall be deemed received by the Franchisee when payment actually has been received by the franchisee. Gross Revenues consisting of property or services shall be valued at the retail prices applicable and in effect at the time that they are received.
- j) **"IIF Conversion"** - means an entity operated by an individual with existing property inspection businesses that meet certain other requirements and are offered the option to convert to Inspect-It 1st.
- k) **"Manual"** - means, but is not limited to, collectively, all directives, books, pamphlets, bulletins, memoranda, order forms, packing slips, invoices, letters, e-mail, Internet or Intranet data, or other publications, documents, software programs, video tapes, transmittances or communications, in whatever form (including electronic form) prepared by or on behalf of the Franchisor for use by the franchisees generally or for

the 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 property inspection franchises (and Pro Energy Consultants Businesses), as same may be added to, deleted or otherwise amended by the Franchisor from time to time.

- l) **"Marks"** - shall mean the trademark "Inspect-It 1stand, if applicable, "Pro Energy Consultants" to the extent of the Franchisor's rights to same, together with such other trade names, trademarks, symbols, logos, distinctive names, service marks, certification marks, logo designs, insignia or otherwise which may be designated by the Franchisor from time to time as part of the System for use by Franchisees, and not thereafter withdrawn.
- m) **"Property Inspection Franchise" or "Franchise" or "Pro Energy Consultants Franchise"**, if applicable - shall mean the business operations conducted or to be conducted using the Franchisor's System and in association therewith the Marks.
- n) **"Services"** - means all commercial and residential building inspection services and other property inspection services utilizing infrared thermography if/when appropriate, sold, conducted or otherwise dealt with in connection with, and all services performed at or from the Premises and associated with the Marks. (Also includes, if applicable, Pro Energy Consultants services that means all home and building performance testing services, including but not limited to, energy audits, energy monitoring, new construction rating, duct testing, and indoor air quality).
- o) **"Software" or "Proprietary Software"** - means the proprietary software licensed to Franchisee.

1. COVENANTS, REPRESENTATIONS, AND WARRANTIES OF THE FRANCHISEE

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

- 1.1 The Franchisee acknowledges that it has received, has had ample time to read, and has read this Agreement, and all related agreements with the Franchisor. The Franchisee acknowledges that the Franchisor has advised Franchisee to obtain independent legal and accounting advice with respect to this Agreement and the transactions arising out of this Agreement. The 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.
- 1.2 The Franchisee has, or has made firm arrangements to acquire funds to commence, open and operate the Business and it is financially and otherwise able to accept the risks attendant upon entering into this Agreement.

- 1.3 All statements made by the Franchisee in writing in connection with its application for this franchise were, to the best of its knowledge, true when made and continue to be true as of the date of this Agreement.
- 1.4 There are no material financial obligations of the Franchisee whether actual or contingent which are outstanding as of the date of this Agreement other than those disclosed to the Franchisor by the Franchisee in writing.
- 1.5 The Franchisee nor any of its shareholders, partners or members is not a party to or subject to any court or administrative order or action of any governmental authority, which would limit or interfere in any way with the performance by the Franchisee of its obligation hereunder.
- 1.6 The Franchisee nor any of its shareholders, partners or members is not a party to any litigation or legal proceedings other than those which have been disclosed to the Franchisor by the Franchisee in writing.

2. GRANT OF LICENSE

- 2.1 Subject to all the terms and conditions of this Agreement, the Franchisor hereby grants to the Franchisee, and the Franchisee accepts, for the Initial Term of this Agreement and any Interim Period the right and non-exclusive license ("License") to:
- a) Operate a Business upon the terms and conditions of this Agreement at one location described in Attachment A ("Center of Operations");
 - 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 (such approval to be in the Franchisor's sole and absolute discretion) the Franchisee's request to offer and market complementary and non-competing services or products.
- 2.2 The License does not include the right to sell products to any vendor who would in turn sell to consumers.
- 2.3 The Franchisee recognizes that variations and additions to the System may be required from time to time in order to preserve and/or enhance the System. Therefore, the Franchisor expressly reserves the right to add to, subtract from, revise, modify or change from time to time the System or any part thereof, and the Franchisee agrees to promptly accept and comply with any such addition, subtraction, revision, modification or change and to make such reasonable expenditures as may be necessary to comply.
- 2.4 The Franchisor will use the most recent population information available in the U.S. Census Data, or other population statistical sources of Franchisor's choosing. Franchisor reserves the right to change, modify, or eliminate the Population Limits in its sole discretion.

3. TERM OF THE AGREEMENT AND LICENSE

3.1 This Agreement and the License granted shall continue for a period of ten (10) years unless you are an IIF Conversion and the License granted shall continue for a period of five (5) years ("Initial Term"). This Initial Term shall begin on the date this Agreement is executed by the Franchisor, subject, however, to termination in accordance with the provisions of this Agreement. When the Initial Term expires the Franchisee shall have the option to extend the Franchisee's rights to operate the Business for one (1) additional term ("Successor Term") of ten (10) years (or five (5) years if you are an IIF Conversion). However, the franchisee must give the Franchisor a written notice of intent to extend its rights to operate the Business at least six months prior to expiration of the Initial Term. To renew, Franchisee shall: (i) sign a Waiver and Release of Claims Agreement which will release, acquit, and forever discharge Franchisor, any and all of its franchisees, parents, subsidiaries or related companies, and its and their past and present officers, directors, and employees from any and all claims, liabilities, damages, expenses, actions, or causes of action which Franchisee may now have or has ever had, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto and (ii) execute and deliver a new Agreement in such form and on such terms as will be the form and terms then being used for franchisees by Franchisor (which has been approved or filed with the states requiring state approval).

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

- a) Failed to remedy any breach of this Agreement specified by the Franchisor in a written notice to the Franchisee as per Sections 17.1 or 17.2; or
- b) Committed and received notice of two or more breaches of this Agreement in the twenty-four (24) months prior to the end of the Initial Term, even if such breaches were timely remedied; or

3.3 The Franchisor also may refuse to extend the Franchisee's rights to operate the Business if the Franchisee is not current in payment obligations to the Franchisor or to the Franchisee's trade creditors.

3.4 If the Franchisor opts to extend the Franchisee's rights to operate the Business at the end of the Initial Term, the Franchisee shall execute a successor Franchise Agreement ("Successor Franchise Agreement") and all other agreements in the form then being used by the Franchisor in granting new franchises. The Franchisor reserves the right to change any term(s) of the Franchise Agreement form to be signed by the Franchisee upon the extension of the Franchisee's rights to operate the Business. There shall not, however, be another Initial Franchise Fee charged in connection with the extension of the Franchisee's rights to operate the Business. Failure by the Franchisee to execute the Successor Franchise Agreement within 30 days after delivery to the Franchisee shall be deemed an election by the Franchisee not to extend its rights to operate the Business.

3.5 As additional conditions for the extension of the Franchisee's rights to operate the Business, the Franchisee may be required to:

- a) Upgrade Franchisee's business vehicle to Franchisor's current standards, including utilizing Franchisor's current vehicle signage.
- b) Offer Franchisor's current warranty to all new customers.
- c) Comply with all other provisions contained in the Manual, as modified periodically by Franchisor in Franchisor's sole discretion.

FOR THE PURPOSES HEREOF, THE FRANCHISEE SHALL BE DEEMED TO HAVE IRREVOCABLY DECLINED TO EXTEND THE FRANCHISEE'S RIGHTS TO OPERATE THE BUSINESS (AND ITS OPTION SHALL THEREUPON TERMINATE) IF IT FAILS TO EXECUTE AND RETURN TO THE FRANCHISOR THE SUCCESSOR FRANCHISE AGREEMENT AND OTHER DOCUMENTS REQUIRED BY THE FRANCHISOR WITHIN 30 DAYS AFTER THEIR DELIVERY TO THE FRANCHISEE, OR FAILS TO COMPLY IN ANY OTHER WAY WITH THE PROVISIONS OF THIS SECTION 3.

4. AUTHORIZED TERRITORY

4.1 During the Initial Term and for so long as the Franchisee is in compliance with all of its obligations hereunder, except as otherwise provided in this Agreement, and subject to the Franchisor's reservation of rights as set forth in Section 4.2 below:

- a) The Franchisee will have the non-exclusive right to market the Services to prospective customers and realtors within the territory approved by Franchisor and set forth in Attachment A ("Authorized Territory"), attached to this document and incorporated by reference. Notwithstanding anything in this document to the contrary, the Authorized Territory will not include an area outside the state in which the Franchisee's Center of Operations is located unless otherwise agreed to by Franchisor in its sole discretion.
- b) Franchisee is solely responsible for selecting its Center of Operations, and may establish its Center of Operations anywhere within the Authorized Territory; provided that the Center of Operations is subject to Franchisor's approval, which may be granted or denied in Franchisor's discretion. Franchisee acknowledges that Franchisor's approval of its Center of Operations in no way constitutes a representation or warranty with respect to the success or viability of the Business. Franchisor may re-assign Franchisee a Center of Operations and Authorized Territory if approved by Franchisee. Franchisee's approval will not be unreasonably withheld.
- c) Franchisee may change the Center of Operations upon written approval from the Franchisor. The Franchisor may withhold approval to change the Center of Operations in its sole discretion.
- d) The Franchisee understands and agrees that its License is nonexclusive and that the Franchisor or its Affiliate has the right: (i) to develop and/or own other franchise systems for the same Services or products utilizing different marks than those licensed to Franchisee and (ii) to develop and/or own other franchise systems for similar products or Services utilizing the Marks. For purposes of this Agreement, similar

products and services include any products or services which are not expressly part of the System.

- e) Franchisee may market or advertise the Property Inspection Business to real estate agents and brokers whose offices are located outside of the Authorized Territory but who conduct real estate sales and marketing activities within the Authorized Territory. Franchisee acknowledges that other Inspect-It 1st franchisees have this same right. As to the Pro Energy Consultants Business, Franchisee may only market and perform Services within the Authorized Territory although Franchisee is permitted to market and perform Services within an unsold territory adjacent to Franchisee's Authorized Territory, however, if this adjacent territory is granted to another franchisee, Franchisee must cease all sales and services within the adjacent territory.
- f) As to the Property Inspection Business, Franchisee may provide Services or sell products outside the Authorized Territory if Franchisee receives a referral from a realtor, homeowner, property owner, customer, lender or broker whom Franchisee has provided Services or sold products within the Authorized Territory.
- g) As to the Property Inspection Business, Franchisee has the right to provide Services to any customer or realtor who contacts Franchisee directly through the Internet, and Franchisee acknowledges that other Inspect-It 1st franchisees have this same right.

4.2 Franchisor's Reservation of Rights. The Franchisee acknowledges that the Franchisor and its Affiliates retain the exclusive right, among others:

- a) to use, and to license others to use, the Marks and System for the operation of Property Inspection Businesses and Pro Energy Consultants Businesses at any location outside of the Authorized Territory and regardless of proximity to Franchisee's Center of Operations. Except as otherwise specifically provided in this Agreement, this Agreement shall not restrict the Franchisor or its Affiliates, or grant any rights to the Franchisee, with respect to the pursuit of any business concept other than the Property Inspection Businesses and Pro Energy Consultants Businesses, or the distribution of Property Inspection Services or by internet commerce (e-commerce) or otherwise, whether inside or outside the Authorized Territory;
- b) (b) to use the Marks and the System in connection with the provision of other services and products or in alternative channels of distribution, without regard to location, including exclusively over the Internet. The Internet is a channel of distribution reserved exclusively to Franchisor, and Franchisee may not independently market on the Internet or conduct e-commerce;
- c) to use and license the use of other 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 Property Inspection Business or Pro Energy Consultants Business, at any location outside of the Authorized Territory, which may be the same as, similar to or different from the Property Inspection Business or Pro Energy Consultants Business; (d) to any websites utilizing a domain name incorporating one or more of the words Inspect-It

1st or Pro Energy Consultants. The 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. The Franchisor retains the sole right to market on the Internet, including all use of websites, domain names, URL's, linking, marketing, and co-branding arrangements. The Franchisee will provide the Franchisor with content for the Franchisor's Internet marketing. The Franchisor also retains the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, metatags, and in connection with linking, marketing, co-branding, and other arrangements. The Franchisor retains the right to approve any linking or other use of its website. The Franchisee may not establish a presence on or market using the Internet except as the Franchisor may specify, and only with the Franchisor's prior written consent.

5. FRANCHISE FEE AND ROYALTIES

5.1 The Franchisee shall pay the sum of Twenty-Four Thousand Nine Hundred Dollars (\$24,900) plus, if due and payable, all applicable federal, state or municipal taxes, as a non-recurring and non-refundable initial franchise fee; if you are an IIF Conversion you shall pay the sum of Six Thousand Dollars (\$6,000) as a non-recurring and non-refundable initial franchise fee ("Initial Franchise Fee") to the Franchisor upon the execution of this Agreement. The Initial Franchise Fee shall be paid by means of cashier's check, money order or wire transfer. The Initial Franchise Fee shall be deemed to have been fully earned by the Franchisor when paid. The Initial Franchise Fee is non-refundable once paid.

5.2 Royalties.

- a) During the first twelve months of operation, the Franchisee shall pay to the Franchisor a Royalty Fee equal to the greater of: the Royalty Rate, as calculated below, or the Minimum Royalty set forth in Section 5.2(b) for such month or partial month ("Royalty Fee" or "Royalty Fees"). Commencing on the second twelve months of operation and continuing throughout the Initial Term and any Interim Period, and in the case of a renewal commencing on the Effective Date of the Franchise Agreement, the Franchisee shall pay to the Franchisor, a Royalty Fee equal to the greater of: The Royalty Rate, as calculated below, or the Minimum Royalty set forth in Section 5.2(b). The following schedule shows the royalty fee percentage the Franchisee will pay based on the Franchisee's Gross Revenue:

Gross Revenue	Royalty Rate
\$0-\$100,000	7%
\$100,001-200,000	6.5%
\$200,001-300,000	6%
\$300,001-400,000	5%
\$400,001-500,000	4.5%
\$500,001+	4%

This decreasing rate will be applied to Franchisees' Gross Receipts throughout the calendar year, and will restart each January (i.e. Gross receipts start at zero each new

calendar year). This schedule will be applied on a per Territory basis, not a per franchisee basis.

Upon expiration of the "Grace Period" (as defined below), unless Franchisee waives the Grace Period as provided below, the Royalty Fee shall be paid on or before the tenth (10th) day of each month for the preceding calendar month and shall be payable through the entire Initial Term of this Agreement and any Interim Period. The Franchisee shall pay the Royalty Fee monthly or in such other frequency as the Franchisor may in its sole discretion require upon written notice to the Franchisee by the Franchisor. The Franchisee shall not subordinate to any other obligation its obligation to pay the Royalty Fee or any other fee or charge hereunder. The "Grace Period" shall mean the partial calendar month following Franchisee's completion of the initial training program (as defined in Section 7.3(d)) plus 60 days. Notwithstanding anything in this document to the contrary, Franchisee waives its Grace Period if Franchisee fails to open its Property Inspection Business within 30 days of completing the initial training program (unless such period is extended by Franchisor in its sole determination). The Grace Period does not apply to the Pro Energy Consultants Business (if applicable). The Grace Period shall not apply in the case of a transfer or a renewal.

The Franchisor and Franchisee mutually agree that the royalty fee represents payment for services performed by the Franchisor for the benefit of the Franchisee as well as the use of any Marks owned by the Franchisor. Services provided include, but are not limited to, (a) webhosting, servers and development, (b) training and professional education, (c) ongoing operational support and coaching, (d) advertising and marketing, and (e) trademark usage. While subject to change, the Franchisor and Franchisee mutually agree that the value of the current services provided by Franchisor represents 95% or more of the royalty fee, while use of the registered marks represents the balance, or 5% or less.

b) The Minimum Royalty due to the Franchisor is follows ("Minimum Royalty"):

Year	Minimum Royalty Per Month
First 12 months of operation. Operation is deemed to commence after the expiration or waiver of the Grace Period (unless otherwise determined by the Franchisor in its sole discretion) as provided in Section 5.2(a)	\$200.00
Second 12 months of operation and remaining Initial Term, including any Interim Period. Operation is deemed to commence after the expiration or waiver of the Grace Period (unless otherwise determined by the Franchisor in its sole discretion) as provided in Section 5.2(a)	\$400.00

The Minimum Royalty payments commence upon expiration or waiving of the Grace Period as provided in Section 5.2(a) and continue for the Initial Term of this Agreement

and any Interim Period. In no event will the Franchisee's Minimum Royalty payment commence later than six (6) months from the date of this Agreement. If you are an IIF Conversion the Minimum Royalty Per Month may be discounted. In the case of a transfer, the non-discounted royalty payment amount in the then current version of the Franchise Agreement will apply for the new owner. THIS MINIMUM ROYALTY IS IN NO WAY INTENDED TO IMPLY THAT FRANCHISEE WILL EXPERIENCE GROSS REVENUES OF ANY PARTICULAR LEVEL. PURSUANT TO SECTION 5.2(a), THIS MINIMUM ROYALTY IS TO BE SENT ON OR BEFORE THE 10TH DAY OF EACH MONTH VIA ELECTRONIC FUNDS TRANSFER TO AN ACCOUNT DESIGNATED BY THE FRANCHISOR OR SUCH OTHER MANNER OF PAYMENT DESIGNATED BY FRANCHISOR.

- c) Each Royalty Fee payment shall be, without exception, accompanied by a statement of the previous month's Gross Revenues on a form approved and provided to the Franchisee by the Franchisor or on software approved by Franchisor. Each failure to include a fully completed statement of the previous month's Gross Revenues with the Royalty Fees payable to the Franchisor when due shall constitute a material breach of this Agreement.
- d) The Franchisor reserves the right to require the Franchisee to remit fees and other amounts due to the Franchisor hereunder via electronic funds transfer ("EFT"), pre-authorized checks or valid, on-file credit card numbers or other similar means utilizing a Franchisor approved computer system, software or otherwise. If the Franchisor notifies the Franchisee to use such payment method, the Franchisee agrees to comply with procedures specified by the Franchisor and/or perform such acts and deliver and execute such documents, including but not limited to, authorization for direct debits from the Franchisee's business bank operating account or authorization for charges to on-file credit card numbers as may be necessary to assist in or accomplish payment by such methods. Under this procedure the Franchisee shall authorize the Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account or on-file credit card number for payments of fees and other amounts payable to the Franchisor and any interest or late fees charged due thereon. The Franchisee shall make funds available to the Franchisor for withdrawal by electronic transfer or credit available for a credit card charge no later than the due date for payment therefore. If the Franchisee has not timely reported the Gross Revenues to the Franchisor for any reporting period, then the Franchisor shall be authorized, at the Franchisor's option, to debit the Franchisee's account or credit card in an amount equal to (a) the fees transferred from the Franchisee's account or charged to Franchisee's credit card for the last reporting period for which a report of the Gross Revenues was provided to the Franchisor as required hereunder; or (b) the amount due based on information retrieved from the Franchisor approved computer system or software. If Franchisor attempts to process fees from Franchisee's account, and such attempt is denied due to non-sufficient funds, Franchisee shall pay Franchisor a NSF fee of Twenty Five Dollars (\$25) per attempt to withdraw funds.

6. ACCOUNTING, RECORDS, AUDITS AND LATE PAYMENT CHARGES

6.1 The Franchisee shall keep such complete records of its Business as a prudent and careful businessperson would normally keep. The Franchisee shall keep its financial books and records as the Franchisor may from time to time direct in the Manual or otherwise, including retention of all invoices, order forms, payroll records, cash register tapes, check records, bank deposit receipts, sales tax records, refunds, cash disbursements journals and general ledgers. The Franchisee shall advise the Franchisor of the location of all original documents and shall not destroy any records without the written consent of the Franchisor.

- a) The Franchisee shall prepare on a current basis, complete and accurate records concerning all financial, marketing and other operating aspects of the Business conducted under this Agreement. The Franchisee shall maintain an accounting system which accurately reflects all operational aspects of the Business including uniform reports as may be required by the Franchisor. The Franchisee's records shall include tax returns, daily reports, statements of Gross Revenues (to be prepared each month for the preceding month), profit and loss statements and balance sheets (to be prepared at least annually).
- b) The Franchisee shall also submit to the Franchisor 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.
- c) The records required under this Section 6.1 pertain only to the Franchisee's operation of the Business. The Franchisor has no right to inspect, audit or copy the records of any unrelated business activity the Franchisee may have. The Franchisee shall keep the books and records of the Business separate from the records of any unrelated business activity or personal activity.

6.2 From the date the Franchisee and the Franchisor sign this Agreement until three years after the end of the Initial Term of this Agreement, the Franchisor or Franchisor's authorized agent shall 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 do inspections and audits at reasonable times. The Franchisee agrees to keep all records and reports for six (6) years from the date such records are created. Should any inspection or audit disclose a deficiency in the payment of any Royalty Fee, Marketing Fund Fee (as defined in Section 11.5), or other amounts required to be paid under this Agreement, the Franchisee shall immediately pay the deficiency to the Franchisor, without prejudice to any other remedy of the Franchisor under this Agreement. In addition, if the deficiency for any audit period discloses a deficiency in the amount of any Royalty Fee, Marketing Fund Fee, or other amounts due by 2% or more, the 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 6.2, an audit period will be each fiscal year. Should the audit disclose an overpayment of any Royalty Fees, Marketing Fund Fees, or other amounts due, the Franchisor shall pay the amount of the overpayment to the Franchisee within thirty (30) days of the Franchisor's receipt of notice of such overpayment by the Franchisee.

6.3 If the Franchisee's records and procedures are insufficient to permit a proper determination of Gross Revenues, the Franchisor shall have the right to deliver to the Franchisee an estimate,

made by the Franchisor, of Gross Revenues for the period under consideration and the Franchisee shall immediately pay to the Franchisor any amount shown thereby to be owing on account of the Royalty Fee and other sums due on account of any understatement. Any such estimate shall be final and binding upon the Franchisee.

- 6.4 To encourage prompt payment and to cover the costs and expenses involved in handling and processing late payments, the Franchisee shall also pay, upon demand, a late interest charge equal to the lesser of (i) the maximum legal rate of interest then charged on open accounts or (ii) 1-1/2% per month, on all payments due to the Franchisor during the period of time said payments are due and unpaid and a late payment charge ("Late Payment Fee") in the amount of \$500. Each failure to pay Royalty Fees, Marketing Fund Fees and other amounts payable to the Franchisor when due shall constitute a material breach of this Agreement. Franchisor reserves the right to increase the Late Payment Fee at any time in Franchisor's sole discretion by revising such payment schedule in the Manual and providing Franchisee with 30 days advanced written notice.
- 6.5 Any report of the Franchisor's auditor rendered from time to time pursuant to this Section 6, shall be final and binding upon all of the parties to this document.
- 6.6 The Franchisee hereby authorizes the Franchisor to make reasonable inquiries of the Franchisee's bank, suppliers and trade creditors concerning the Business and hereby directs such persons and companies to provide to the Franchisor such information and copies of documents pertaining to the Business as the Franchisor may request.
- 6.7 The Franchisee acknowledges and agrees that the Franchisor owns all business records ("Business Records") with respect to customers, employees, Collateral Services and other service professionals of, and/or related to, the Property Inspection 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 such Business Records, and may utilize, transfer, or analyze such Business Records as Franchisor determines to be in the best interest of the franchise system, in Franchisor's sole discretion.
- 6.8 To encourage prompt delivery of all Business Records, Certificates of Insurance, Gross Revenue statements and any other documentation or record that may be requested by Franchisor under this Agreement, the Franchisee shall pay, upon demand, a late report fee ("Late Report Fee") in the amount of \$500 per record or document requested if Franchisee fails to deliver such record or document when due. Franchisor reserves the right to increase the Late Report Fee at any time in Franchisor's sole discretion by revising such payment schedule in the Manual and providing Franchisee with 30 days advanced written notice.

7. SERVICES AND ASSISTANCE

7.1 The Initial Franchise Fee and Royalty Fees are paid for the License, which includes the use of the Marks of the Franchisor, the use of the Franchisor's Trade Secrets, and for certain services rendered by the Franchisor.

7.2 The Franchisor shall offer the Franchisee initial and continuing services as the Franchisor deems necessary or advisable in furthering the 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, shall not excuse the Franchisee from any of its obligations under this Agreement.

7.3 Currently, initial and continuing services provided by the Franchisor shall include:

- a) Designating the Franchisee's Authorized Territory as stipulated in Section 2.
- b) Furnishing the Franchisee with specifications for all initial and replacement equipment and supplies required for the operation of the Franchisee's Business as stipulated in Section 9.
- c) Training - Property Inspection Business: Providing the Franchisee or the designated person responsible for performing the Property Inspection Services ("Master Property Inspector") with an initial training program. The Franchisee or the Master Property Inspector shall attend and satisfactorily complete the initial training program within 60 days after the mutual execution of the Agreement and before opening the franchised Business. One additional person may attend the initial training program at no additional cost, so long as he/she is registered for the same class. The Franchisee shall be responsible for personal traveling, living expenses incurred by it, the Master Property Inspector, and any additional individuals pre-registered to attend the initial training program or any portion thereof. The Franchisee shall pay a training fee in the amount determined by Franchisor for any additional persons pre-registered to attend the entire initial training program.

The initial training program, while subject to change is currently delivered in three (3) phases. The first phase is the FastStart program which consists of online learning modules, book reading and weekly phone calls for the thirty (30) days preceding classroom training. The second phase is the Southwest Institute of Property Inspection (SIPI) is currently located in Phoenix, Arizona although we may change the location at our discretion and provides classroom and field training over the course of ten (10) days. The third phase is the launch coaching and mentoring phase which focuses on continuing to engage in weekly phone calls with home office representatives for at least twelve (12) weeks following completion of SIPI and be assigned a mentor who will review and approve Franchisee's first ten (10) mandatory practice inspection reports. Certain states may require that you obtain additional property inspection training/licensing. We may offer you up to \$2,000 in reimbursement for such additional training (if applicable).

If you are an IIF Conversion, Franchisee's FastStart will consist of weekly calls only, Franchisee's SIPI training will last only four (4) days, and Franchisee will only engage in weekly launch coaching.

Training – Pro Energy Consultants Business: Prior to opening a Pro Energy Consultants Business (if elected by Franchisee), Franchisee is required to attend the then current initial training program as defined by Franchisor at a location designated by Franchisor and pay Franchisor a training fee of \$4,000 and an equipment/marketing launch fee of \$10,000.

- d) Providing the Franchisee's employees responsible for performing the Services with an employee-training program. The Franchisee's employees responsible for performing the Services shall attend and satisfactorily complete the employee-training program before performing the Services. The Franchisee shall be responsible for personal traveling, salaries, benefits and living expenses incurred by such employee. Training for two additional inspector employees is provided at no cost. For additional employees, the Franchisee shall pay a training fee in the amount determined by Franchisor for each employee responsible for performing Services. The employee-training program shall be held at the Franchisor's facilities in Phoenix, Arizona (or other location designated by the Franchisor).
- e) For the Property Inspection Business, Franchisor shall assign the Franchisee a peer to review the Franchisee's first ten practice property inspection reports.
- f) Franchisor will make a representative reasonably available to speak with the Franchisee on the telephone during normal business hours, as Franchisor determines is necessary, to discuss the Franchisee's operational and marketing issues.
- g) For the Property Inspection Business, providing the Franchisee with an initial marketing program ("Ace Marketing Program"). The franchisee will satisfactorily complete the Ace Marketing Program within 20 weeks after completing the initial training program, unless otherwise extended by Franchisor in its sole discretion. The Ace Marketing Program will be conducted over a 15-week period.
- h) Franchisor may hold periodic conferences to discuss sales techniques, new service and product developments, bookkeeping, accounting, performance standards, marketing programs and merchandising procedures. Franchisee must pay the conference fee, if any, and all personal travel and living expenses. These elective conferences are held at the Franchisor's facilities in Phoenix, Arizona or at a location chosen by the Franchisor.
- i) Franchisor may also hold an annual conference to discuss sales techniques, new service and product developments, training, bookkeeping, accounting, performance standards, marketing programs and merchandising procedures. Franchisee must pay the conference fee, if any, and all personal travel and living expenses. These mandatory annual conferences are held at the Franchisor's facilities in Phoenix, Arizona or at a location chosen by the Franchisor. If Franchisee or the Master Property Inspector does

- not attend the mandatory annual conference, the Franchisee will pay upon demand, the conference fee and the cost of successfully completing equivalent training provided at the annual conference from either Franchisor or a vendor approved by Franchisor.
- j) Providing the Franchisee with Software to generate inspection reports, perform sales and marketing functions, and help manage the day-to-day Business operation. Franchisor may require the use of certain third-party Software programs that have been customized for the Business, at Franchisee's expense. Franchisee expressly acknowledges Franchisor's rights to access information contained within Franchisee's account (if applicable); suspend account access if Franchisee is in default of the Franchise Agreement; and terminate account access if the Franchise Agreement is terminated. Franchisee's execution of this Franchise Agreement shall be deemed authorization for third-party software vendors to comply with such requests made by the Franchisor. Consistent with Section 13.4, Franchisor claims ownership of all data stored in the software.
 - k) Assisting the Franchisee with pre-opening and opening activities, conducted as reasonably determined by the Franchisor.
 - l) Formulating marketing and promotional programs as further stipulated in Section 11.
 - m) Developing new Services, products and service methods, as deemed beneficial in the sole discretion of the Franchisor for the successful operation of the System. The Franchisee will be informed of any new product or service development.
 - n) Loaning the Franchisee during the Initial Term (including any Interim Period) one copy of the Franchisor's Confidential Operations Manuals, Policy Manual, Welcome Aboard Package and Marketing Manual ("Manuals") containing mandatory and suggested specifications, standards, operating procedures and rules prescribed from time to time by the Franchisor as further stipulated in this Section 7, and containing information relative to other obligations of the Franchisee hereunder. All such specifications, standards and operating procedures shall be consistent with this Agreement and all applicable laws. Specifications, standards and operating procedures prescribed from time to time by the Franchisor in the Manuals or otherwise communicated to the Franchisee in writing shall constitute provisions of this Agreement as if fully set forth in this Agreement. The Franchisee shall operate the Business strictly in accordance with the Manuals. Failure to comply with the standards set forth in the Manuals shall constitute a material breach of this Agreement. The Franchisor reserves the right to provide the Manuals and updates to the Manuals in electronic form or other form determined by the Franchisor.
- 1. The Franchisor shall have the right to add to, and otherwise modify, the Manuals from time to time to reflect changes in authorized Services and products, business image or the operation of the Business; provided, however, no such addition or modification shall alter the Franchisee's fundamental rights under this Agreement.

2. The Franchisee covenants to accept, implement and adopt any such reasonable modifications at its own cost. The Franchisee shall keep its Manuals with replacement pages and insertions as instructed by the Franchisor.
3. The Franchisee, including all shareholders, partners or members, acknowledges that it has had no part in the creation or development of nor does it have any property or other rights or claims of any kind in or to any element of the System, the Marks, or any matters dealt with in the Manuals and that all disclosures made to the Franchisee relating to the System and including without limitation the specifications, standards, procedures and the entire contents of the Manuals are communicated to it solely on a confidential basis and as Trade Secrets, in which the Franchisor has a substantial investment and a legitimate right to protect against unlawful disclosure. Accordingly, the Franchisee, including all shareholders, partners or members, agrees to maintain the confidentiality of all such information during the Initial Term, or at any time thereafter and shall not disclose any of the contents of the Manuals or any information whatsoever with respect to the Franchisee's or the Franchisor's Business or the System other than as may be required to enable the Franchisee to conduct its Business from the Business location, and the Franchisee, including all shareholders, partners or members, further agrees not to use any such information in any other business or in any manner not specifically approved in writing by the Franchisor. This Section 7.3(p)(iii) shall survive the termination of this Agreement for any reason whatsoever.
4. The Franchisee hereby acknowledges that the Manuals and Software are loaned to the Franchisee and shall at all times remain the sole and exclusive property of the Franchisor, and upon termination of this Agreement for any reason whatsoever, the Franchisee shall forthwith return the Manuals and Software together with all copies of any portion of the Manuals and Software which the Franchisee may have made, to the Franchisor.

7.4 In the event that the Franchisor determines that it is necessary for it to provide additional services to the Franchisee in order to keep the System competitive, Franchisor may charge the Franchisee a reasonable fee for such additional services.

8. FRANCHISEE'S DUTIES, OBLIGATIONS AND OPERATING STANDARDS

- 8.1 The Franchisee shall, consistent with the terms of this Agreement, diligently develop the Business and use its best efforts to market and promote the required Services and products.
- 8.2 Subject to the terms of this Agreement, including Subsections 7.3(o)(i) through (iv), during the Initial Term and any Interim Period, the Franchisee shall 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) The Franchisee or a fully trained and qualified Master Property Inspector (for the Property Inspection Business) must devote full time to the management and operation of the Business.
- B) The Franchisee or the Master Property Inspector (for the Property Inspection Business) and employees responsible for performing Services or marketing for the Business must attend and complete all initial training programs and employee training programs, demonstrations, seminars and annual conferences (if the Franchisee or the Master Property Inspector) at locations as the Franchisor may reasonably require, and the Franchisee will pay all salary and other expenses of persons attending, including any conference fees. If Franchisee or the Master Property Inspector does not attend a mandatory annual conference, the Franchisee will pay upon demand, the conference fee and the cost of successfully completing equivalent training provided at the annual conference from either Franchisor or a vendor approved by Franchisor.
- C) Franchisor will provide the Franchisee or the Master Property Inspector (for the Property Inspection Business) with an initial training program. Attendance by the Franchisee or its Master Property Inspector is compulsory and must be satisfactorily completed within 60 days of the mutual execution of this Agreement (for the Property Inspection Business) and before the opening of the Franchisee's Business. Franchisor will also provide the Franchisee's employees responsible for performing Services or marketing with an employee-training program. Attendance by the Franchisee's employees that are performing Services or marketing is compulsory and must be satisfactorily completed before the employee provides Services or marketing.
- D) The Franchisee or its Master Property Inspector will satisfactorily complete the initial training program for the Property Inspection Business within 60 days of the mutual execution of this Agreement; any employees providing Services or marketing will satisfactorily complete the employee training program prior to performing such duties; the Franchisee will purchase the equipment and supplies set out in Section 9; obtain the required insurance set out in Section 12; comply with applicable certification, registration and other state requirements where the Business is to be located before providing property inspections; complete 10 practice inspections prior to opening the Business and submit them for peer review; and open the Business within 3 months of the mutual execution of this Agreement, unless the Franchisor agrees to extend the 3 month period in its sole discretion. The failure to open for Business within 3 months, or such other period agreed to by Franchisor, of the mutual execution of this Agreement shall constitute a material breach of this Agreement.
- E) Franchisee must notify Franchisor that it has complied with the requirements in Section 8.2(d) at least 5 days before opening the Business and provide Franchisor with such documentation as may be required by Franchisor to demonstrate that the requirements in Section 8.2(d) have been met.

- F) Any additional required service or product 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.
- G) No service or product, except approved Services may be offered for sale unless the Franchisee receives the prior written consent of the Franchisor (which may be granted or denied in the Franchisor's sole discretion).
- H) Only marketing and promotional material, services, equipment, supplies, and uniforms that meet the Franchisor's standards and specifications shall be used at the Business.
- I) Franchisee must purchase all equipment, products, supplies and items specified by Franchisor in the Manuals or this Agreement. All equipment, products, supplies and other items necessary to add new required Services or products must be acquired, installed, and utilized, and the marketing of new Services and products must begin at the Business as reasonably required by the Franchisor.
- J) Equipment, signs, Services, products, supplies and other items must be added, eliminated, substituted and modified at the Business as soon as practicable in accordance with changes in the Franchisor's specifications and requirements.
- K) 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.
- L) 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.
- M) The Business and the Services distributed and sold by it must comply with all applicable federal, state, and local laws, ordinances, rules, regulations and other requirements ("Laws") and Franchisee will maintain all licenses and certifications required by such applicable Laws.
- N) Marketing materials which are produced or approved by the Franchisor for use by the Franchisee may be used only in the manner and during the period specified by the Franchisor.
- O) 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.
- P) Before providing any Services to customers, the Franchisee will fully complete and execute a Service Contract Terms and Conditions provided by Franchisor, which

- may be amended from time to time. The Franchisee will honor any warranties and guarantees set forth in the Service Contract Terms and Conditions.

- Q) Franchisee will use its best efforts to ensure customer satisfaction; use good faith in all dealings with customers, 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 such actions as Franchisor deems necessary or appropriate to resolve customer disputes.
- R) Comply with all terms and pay all fees that may be due to maintain and upgrade the Software.
- S) Franchisee shall acquire, maintain, and upgrade computer, information processing and communication systems, including all applicable hardware, software, and Internet and other network access providers, and website vendors, as prescribed in the Operations Manuals. Franchisee shall comply with any separate license agreement that Franchisor or its designee uses in connection with providing these services.

8.3 Franchisor and Franchisor's representatives will have the right during business hours to inspect the Business. Franchisor and Franchisor's representatives will have the right to discuss with the Franchisee, or other personnel that the 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 make photocopies of the Franchisee's completed property inspection reports as they relate to the Business. The Franchisee shall in all respects cooperate with the Franchisor's rights under this Section 8.3, provided, that the Franchisor's exercise of these rights shall not unreasonably interfere with the Franchisee's conduct of the Business.

8.4 On at least 3 months' prior written notice, the Franchisor, in the Franchisor's sole discretion, may specify a new service or product as a required service or product in the Franchisee's Authorized Territory. The new service or product will not be deemed a required service or product if the Franchisee demonstrates to the Franchisor's reasonable satisfaction that the requirement would cause a substantial financial investment not contemplated by this Agreement or the Manual to the material hardship of Franchisee.

8.5 Franchisor may require the Franchisee's compliance with the provisions of this Section even if it does not require such compliance by all franchisees.

8.6 The Franchisee agrees that, during the Initial Term, any Interim Period and for three years after the expiration and termination of this Agreement, the Franchisee shall supply to the Franchisor, the Franchisee's home (or business location, if other than the Franchisee's home) address and telephone number.

8.7 For the Property Inspection Business, the Franchisee shall nominate a designated Master Property Inspector having the required experience who shall have direct responsibility for all

operations of the Business. Any change in the designated Master Property Inspector shall be subject to the approval of the Franchisor, in the Franchisor's sole discretion.

8.8 The Franchisee may become a member of such trade associations or organizations that are useful in the operation of the Business. The Franchisee shall have the option to become a member of all benefit programs which are offered from time to time by the Franchisor to all of its Franchisees. The costs of participating in such trade associations and benefit programs shall be borne by the Franchisee and its employees (if applicable to the employees). Nothing in this Section 8.8 limits the Franchisee's freedom to join any franchise or franchisee's association of its choosing.

8.9 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 has taken reasonable steps to ensure that these problems will not materially affect the System. 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, but not limited to, firewalls, access code protection, anti-virus systems, and use of backup systems.

8.10 The Franchisee must perform such mentoring/supervisory activities as are reasonably requested by the Franchisor. However, in no case will the Franchisee be obligated to dedicate more than ten (10) hours per calendar year to these activities.

8.11 If Franchisee elects to operate one or more Collateral Services from the Center of Operations or within the Authorized Territory, such Collateral Service shall not offer, sell or provide the Services. Franchisee shall secure Franchisor's prior written approval, which may be granted or denied in Franchisor's sole discretion, prior to operating any Collateral Services, and such Collateral Services shall not be the primary business operated from the Center of Operations or within the Authorized Territory. The Gross Revenues generated by such Collateral Services shall be reported in conjunction with other reporting requirements as set forth in the Operations Manuals and modified by Franchisor periodically, and Franchisee shall pay Royalty Fees on all Gross Revenues generated by the Collateral Services unless otherwise waived in writing by Franchisor in Franchisor's sole discretion. Franchisee shall indemnify Franchisor and Franchisor Indemnities in accordance with Section 12.

9. PURCHASE OF EQUIPMENT, INVENTORY AND SUPPLIES

9.1 The names and addresses of the Franchisor's recommended manufactures and suppliers shall be maintained in the Manuals. Franchisor reserves the right to approve all of the products and supplies used in connection with the Franchisee's Business. Franchisor may derive revenue from the Franchisee's purchases or leases of equipment from current or future suppliers.

- 9.2 The standards and specifications for equipment, supplies, or other products required by the Franchisor shall be maintained in the Manuals. The Franchisee is required to follow the Franchisor's standards and specifications when purchasing all equipment, supplies, or other products required for the operation of the Business. The Franchisor has the right to require Franchisee to discontinue purchasing any equipment, supplies or other products from a supplier and may designate new suppliers at any time in its sole discretion.
- 9.3 The Franchisee acknowledges and agrees that the Franchisor may receive from designated suppliers of the Franchisee's inventory periodic volume rebates as a result of the Franchisee's purchases; and the Franchisee further acknowledges and agrees that the Franchisor shall be entitled to keep for its own use and account such rebates.

10. MARKS AND COPYRIGHTED WORKS

- 10.1 Franchisee acknowledges that the Franchisor is the 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.
- 10.2 Franchisee further acknowledges that it is of utmost importance that the goodwill, stature, and image of quality associated with the Marks be maintained and enhanced by Franchisee. Franchisee will make no use of the Marks without the prior approval of Franchisor, this Agreement itself not constituting such approval. To maintain and enhance the goodwill and image of quality associated by the public with the Marks, Franchisee will conduct its business in accordance with this Agreement and specifically with the provisions of this Section 10.
- 10.3 Franchisee further acknowledges that Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by Franchisor in the Manual and elsewhere from time to time during the Initial Term of this Agreement and any Interim Period.
- 10.4 Franchisee acknowledges and agrees that the Franchisor is effectively the sole owner of the Marks (either through direct ownership or a perpetual license) and that it will never dispute, contest, or challenge; directly or indirectly, the validity or enforceability of the Marks or Franchisor's ownership of the Marks, 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, nor will it represent that it has any right, title, or interest in the Marks other than those expressly granted by this Agreement.
- 10.5 Upon Franchisor's request, Franchisee will cooperate fully, both before and after termination or expiration of this Agreement and at Franchisor's expense, in confirming, perfecting, preserving, and enforcing Franchisor's rights in the Marks, including but not limited to, executing and delivering to Franchisor such documents as Franchisor reasonably requests for any such purpose, including but not limited to, assignments, powers of attorney, and copies of commercial documents showing sale and marketing of the Services and other products and

services. Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact for the purpose of executing such documents.

10.6 Franchisee will use the Marks only in lettering, logos, print styles, forms, and formats, including but not limited to, advertising, marketing 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 as provided in the Manuals and otherwise given by Franchisor from time to time.

10.7 Franchisee agrees to safeguard and maintain the reputation and prestige of the Marks 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 never attempt to dilute, directly or indirectly, the value of the goodwill attached to the Marks, nor to counsel, procure, or assist anyone else to do the same.

10.8 Franchisor may decide, in its sole and absolute discretion, to apply to register or to register any trademarks with respect to the Services and any other products and services. Failure of Franchisor to obtain or maintain in effect any such application or registration 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 or logo confusingly similar to that, anywhere in the world.

10.9 Franchisee should mark the Marks with a superscript “®” or “™” unless and until advised by Franchisor to use a different notice.

10.10 If, in Franchisor’s reasonable determination, the use of a Mark in connection with the Services and other products and services will infringe or potentially infringe upon the rights of any third party or weakens or impairs Franchisor’s rights in the Marks, then upon notice from Franchisor, Franchisee will immediately terminate or modify such use in accordance with Franchisor’s instructions, and Franchisee will have no rights of damages, offset, or right to terminate this Agreement as a result thereof.

10.11 Franchisee will not use any materials that are false or misleading.

10.12 Franchisee will ensure that all advertising, marketing, labeling, packaging and other materials associated with the Services and other products and services fully conform to all applicable laws and regulations.

10.13 Franchisee will conduct its business operations in accordance with all applicable laws and regulations, including but not limited to, consumer protection laws and regulations.

10.14 Franchisee will control the quality of the Services and other products and services to avoid product quality problems or product liability claims that could reflect adversely on Franchisee or Franchisor in the minds of consumers.

10.15 Franchisee shall not use any Mark or portion of any Mark 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 shall obtain such fictitious or assumed name registrations as may be required by Franchisor or under applicable law.

- 10.16 In order to preserve the validity and integrity of the Marks and Copyrighted Works licensed in this Agreement and to assure that Franchisee is properly employing the same in the operation of its Business, Franchisor or its agents shall have the right of entry and inspection of Franchisee's Center of Operations and operating procedures at all reasonable times. Franchisor shall have the right to observe the manner in which Franchisee is rendering its services and conducting its operations, to confer with Franchisee's employees and customers, and to select property inspection reports and Pro Energy Consultants reports (if applicable) for testing of content and evaluation purposes to make certain that all such tested items are satisfactory and meet the quality control provisions and performance standards established by Franchisor.
- 10.17 If it becomes advisable at any time, in Franchisor's sole discretion, for Franchisor to modify or discontinue use of any Mark, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions within a reasonable time after notice to Franchisee by Franchisor. Franchisor shall have no liability or obligation whatsoever with respect to Franchisee's modification or discontinuance of any Mark.
- 10.18 Any unauthorized use of the Marks by Franchisee constitutes a breach of this Agreement and an infringement of the rights of Franchisor and in and to the Marks.
- 10.19 Franchisee acknowledges that all usage of the Marks by Franchisee and any goodwill established by Franchisee's use of the Marks shall inure to the exclusive benefit of Franchisor, and that this Agreement does not confer any goodwill or other interests in the Marks upon expiration or termination.
- 10.20 In the event Franchisee acquires, as a result of the exercise of any rights provided under this Agreement, any rights in the Marks, it agrees to assign and hereby assigns all such rights to Franchisor.
- 10.21 Franchisee shall promptly notify Franchisor 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. Franchisee shall also notify Franchisor of any action, claim or demand against Franchisee relating to the Marks within ten (10) days after Franchisee receives notice of said action, claim, or demand. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Marks, Franchisor shall have the sole right, but not the duty, to defend any such action. Franchisor shall have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Marks and shall exercise such right in the sole discretion of Franchisor. Franchisor shall control all actions but not be obligated to take any action. In any defense or prosecution of any litigation relating to the Marks or components of the System undertaken by Franchisor, Franchisee shall 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 such defense or prosecution. At Franchisor's option, Franchisee will join in any action, in

which case Franchisor shall bear all the out-of-pocket costs of Franchisee for such participation. If Franchisee joins in an action, then the recovery, if any, from such legal action shall be first applied to the total expenses associated therewith and then split equally between Franchisor and Franchisee. Both parties shall make every effort consistent with the preceding terms to protect, maintain, and promote the Marks as identifying the System and only the System. Franchisor makes no representation or warranty, express or implied, as to the use, exclusive ownership, validity or enforceability of the Marks.

- A) All provisions of this Agreement applicable to the Marks apply to any and all additional trademarks, service marks and commercial symbols authorized for use by and licensed to Franchisee by Franchisor after the date of this Agreement.

10.22 Franchisee agrees that all material, including but not limited to, all artwork and designs, created by Franchisee or any other person or entity retained or employed by Franchisee, and used with the Marks ("Copyrighted Materials") are works made for hire within the meaning of the United States Copyright Act and are the property of the Franchisor, who shall be entitled to use and license others to use the Copyrighted Materials subject to the provisions of this Agreement unencumbered by moral rights. To the extent 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 such Copyrighted Materials, which the Franchisee and the author of such 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 the author or third parties to copyright owner, its successors, and assigns that may be acquired. Franchisee will make no use of the Copyrighted Works without the prior approval of Franchisor, this Agreement itself not constituting such approval. To maintain and enhance the rights in the Copyrighted Works, Franchisee will conduct its business in accordance with this Agreement and specifically with the provisions of this Section 10.

10.23 Franchisee agrees to safeguard and maintain the value of the Copyrighted Works and will not do anything that would adversely affect the value of the Copyrighted Works. Franchisee will never attempt to dilute, directly or indirectly, the value attached to the Copyrighted Works, nor to counsel, procure, or assist anyone else to do the same.

10.24 The Franchisor may decide, in its sole and absolute discretion, to apply to register or to register any Copyrighted Works with respect to the Products or any other products or services. Failure of the Franchisor to obtain or maintain in effect any such application or registration 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 Copyrighted Works, or any Copyrighted Work or logo substantially similar to that, anywhere in the world.

10.25 If, in Franchisor's reasonable determination, the use of a Copyrighted Work in connection with the Services and products will infringe or potentially infringe upon the rights of any third party or weakens or impairs Franchisor's rights in the Copyrighted Works, then upon notice from Franchisor, Franchisee will immediately terminate or modify such use in accordance with

Franchisor's instructions, and Franchisee will have no rights of damages, offset, or right to terminate this Agreement as a result thereof.

- 10.26 The Franchisee acknowledges and agrees that the Franchisor owns all business records ("Business Records") with respect to customers, employees, and other service professionals of, and/or related to, the Franchise including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone 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 such Business Records, and may utilize, transfer, or analyze such Business Records as Franchisor determines to be in the best interest of the franchise system, in Franchisor's sole discretion.

11. MARKETING AND PROMOTION

- 11.1 During the Initial Term and any Interim Period, the Franchisee shall, upon request, furnish the Franchisor an accounting of the Franchisee's previous month's expenditures for marketing and promotion on a form approved by the Franchisor.
- 11.2 The Franchisee may develop marketing materials for the Franchisee's own use, at the Franchisee's own cost. Franchisor must approve or disapprove before publication, the Franchisee's marketing materials in writing within ten (10) working days after the Franchisee submit them for review. If the Franchisor takes no action, the marketing materials will be deemed disapproved by the Franchisor. Franchisor may make available to the Franchisee marketing and promotion materials for the Business which are used by the Franchisor and/or other franchisees. The Franchisee must pay duplication costs of any marketing or promotion material provided by Franchisor.
- 11.3 The Franchisor, in its sole discretion, may elect to form a national marketing fund ("Marketing Fund"). When the Marketing Fund is in existence and upon the expiration or waiving of the Grace Period, on or before the tenth (10th) day of each month, the Franchisee shall remit the greater of \$50.00 or 2% of the Gross Revenues for the preceding month or portion thereof, but not to exceed \$500 per month, to the Franchisor ("Marketing Fund Fee"). No action taken by the Franchisee shall diminish the Franchisee's obligations to pay the Marketing Fund Fee to the Marketing Fund. While subject to change, Franchisor will rebate up to 1% of the Marketing Fund back to Franchisees to apply toward local marketing efforts (i.e. ISN or call center costs, certain promotional items from Inspect-It 1st marketing, and certain marketing items pre-approved by Franchisor). An additional Marketing Fund and related fee is not applicable for the Pro Energy Consultants Business.
- 11.4 Franchisor may occasionally provide for placement of advertising on behalf of the entire System, including franchisees, or on behalf of a particular region, that may not include Franchisee, through the Marketing Fund. Franchisor reserves the right to use the Marketing Fund Fee from the Marketing Fund to place advertising in national media or regional media (including broadcast, print or other media) in the future. Franchisee acknowledges that the Marketing Fund is intended to maximize the general brand recognition of the System.

Franchisor is not obligated to expend Marketing Funds on Franchisee's behalf or benefit or expend Marketing Funds equivalent or proportionate to Franchisee's Marketing Fund Fees on Franchisee's behalf or benefit.

11.5 National marketing, public relations, and promotions will be started and continued by the Franchisor, when, in the Franchisor's sole discretion, the Franchisor deems that it has accumulated sufficient moneys for that purpose. The Marketing Fund will be used to promote the System, Services and/or products sold by the franchisees and will not be used to sell additional franchises. The Marketing Fund will be administered by the Franchisor's accounting and marketing personnel or a representative designated by Franchisor. The Marketing Fund will collect marketing fund fees from all franchisees. All payments to the Marketing Fund must be spent on advertising, public relations, website creation, promotion and maintenance, development of marketing materials, market research, promotion, marketing of goods and services provided by the Franchisor, outside vendors, including but not limited to marketing agencies, and administration of the Marketing Fund, including but not limited to, salaries, overhead, administrative, accounting, collection and legal costs and expenses. An annual un-audited financial statement of the Marketing Fund, at the expense of the Marketing Fund, will be available 120 days after the Franchisor's fiscal year end to the Franchisee for review once a year upon request.

11.6 The Marketing Fund Fees collected by the Marketing Fund are non-refundable. The Marketing Fund may be terminated at any time by the Franchisor, in its sole discretion. In the event the Marketing Fund is terminated, any remaining balance in the Marketing Fund will be expended as provided for in Section 11.5 or returned to the Franchisee on a pro-rata basis.

11.7 The Franchisee shall fully participate in all such promotional campaigns, prize contests, special offers, and other programs, national, regional, or local in nature (including the introduction of new Services, products, new franchises or other marketing programs directed or approved by the Franchisor), which are prescribed from time to time by the Franchisor. The Franchisee shall be responsible for the costs of such participation. In addition, the Franchisee shall honor any coupons, gift certificates or other authorized promotional offers of the Franchisor at the Franchisee's sole cost unless otherwise specified in writing by the Franchisor. The Franchisee will maintain an adequate supply of marketing brochures, pamphlets and promotional materials as may be required by Franchisor from time to time.

11.8 The Franchisor (and any designee of the Franchisor) will have no direct or indirect liability or obligation to the Franchisee, the Marketing Fund or otherwise with respect to the management, maintenance, direction, administration or otherwise of the Marketing Fund. Franchisee and Franchisor agree that their rights and obligations with respect to the Marketing Fund and all related matters are governed solely by this Agreement and neither this Agreement nor the Marketing Fund creates a trust, fiduciary relationship, or similar arrangement.

12. INSURANCE AND INDEMNITY

12.1 Franchisee shall, upon commencement of the Initial Term, purchase and at all times maintain in full force and effect:

- a) Insurance Requirements. Franchisee must keep in force insurance policies, in such amounts and on such terms, as prescribed by the Manuals, 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 general liability, combined single limit, automobile, errors and omissions, bodily injury and property damage insurance and all other occurrences against claims of any person, employee, customer, agent or otherwise in an amount per occurrence of not less than such amount set forth in the Manuals and adjusted by Franchisor periodically in Franchisor's sole discretion. Insurance policies must insure both Franchisee, Franchisor and Franchisor's Affiliates, its officers, directors, 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 shall receive a 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, shall be furnished to Franchisor together with proof of payment within ten (10) days of issuance thereof. Franchisee shall also furnish Franchisor with certificates and endorsements evidencing such insurance coverage within ten (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 Franchisor's sole discretion. In the event Franchisee fails to obtain the required insurance and to keep the same in full force and effect, Franchisor may, but shall not be obligated to, purchase insurance on Franchisee's behalf from an insurance carrier of Franchisor's choice, and Franchisee shall reimburse Franchisor for the full cost of such insurance, along with a reasonable service charge to compensate Franchisor for the time and effort expended to secure such insurance, within five (5) days of the date Franchisor delivers an invoice detailing such costs and expenses to Franchisee. Notwithstanding the preceding terms, 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 17 of this Agreement. Franchisee shall also procure and pay for all other insurance required by state or federal law, including, without limitation, workers' compensation and unemployment insurance. Franchisor reserves the right to modify minimum insurance requirements at any time in its sole discretion by updating the Operations Manual and advising Franchisee in writing.
- b) Defense of Claims. All liability insurance policies procured and maintained by Franchisee 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 and employees.

- c) Such additional insurance as may be required by the terms of any lease or lender for the Business.
- d) The liability insurance afforded by the policy or policies shall not be limited in any way because of any insurance that may be maintained by the Franchisor. The Franchisee shall comply with and bear the cost of compliance with all federal, state and local codes, laws and regulations.

12.2 The Franchisee shall, during the Initial Term and any Interim Period and after the termination or expiration of the Franchise, indemnify the Franchisor and its Affiliates, officers, 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 the Franchisee or any of its property) (collectively, "Damages,") for which they are held liable, or which they incur (including solicitor and client costs, 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 the Center of Operations is held, by the Franchisee;
- B) any injury to, or loss of property of, any person in, or on, the Franchisee's Center of Operations;
- C) the Franchisee's taxes, liabilities, costs or expenses of its Business;
- D) any negligent or willful act or omission of the Franchisee, its employees, agents, servants, contractors or others for whom it is, in law, responsible;
- E) any marketing or promotional material distributed, broadcast or in any way disseminated by the Franchisee, or on its behalf unless such material has been produced, or approved in writing, by the Franchisor;
- F) the Collateral Services.

13. RELATIONSHIP

13.1 The Franchisee acknowledges that it is an independent contractor and is not an agent, partner, joint venturer or employee of the Franchisor. Neither party is liable or responsible for the other's debts or obligations, nor shall 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 the Franchisee agree that no partnership, fiduciary relationship, joint venture or employment relationship exists between them. The Franchisee shall conspicuously identify itself in all dealings with the public as an entity separate from the Franchisor. It is expressly agreed that the parties intend by this Agreement to establish between the Franchisor and the Franchisee the

relationship of franchisor and franchisee. It is further agreed that the 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. The Franchisee agrees that it will not hold itself out as the agent, employee, partner or co-venturer of the Franchisor. All employees hired by or working for the Franchisee shall be the employees of the Franchisee and shall not, for any purpose, be deemed 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 to this matter of and from any liability of any nature whatsoever by virtue thereof.

13.2 The Franchisor shall have no liability for the Franchisee's obligations to pay any third parties, including without limitation, any product vendors, or any value added, sales, use, service, occupation, excise, gross sales, income, property or other tax levied upon the Franchisee, the Franchisee's property, the Franchised Business or upon the Franchisor in connection with the sales made or business conducted by the Franchisee (except any taxes the Franchisor is required by law to collect from the Franchisee with respect to purchases from the Franchisor). You agree to pay all such amounts when due. You agree to reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation of the Franchised Business or payments made to us by you.

13.3 The Franchisee shall ensure that the notice required in Sections 13.1 and 13.2 hereof shall state that the Franchisee is the sole operator and that the Franchisor has no liability for the Business being conducted from the Business location.

13.4 The Franchisor shall grant the Franchisee the right to use certain third-party software programs that have been customized for the Business, at Franchisee's expense. Franchisor is the owner of all data stored in the software.

14. RESTRICTIVE COVENANTS

14.1 The Franchisee acknowledges that its entire knowledge of the operation of a Property Inspection Business (and a Pro Energy Consultants Business) is derived from Franchisor's Confidential Information. Such Confidential Information is proprietary and constitutes valuable trade secrets of the Franchisor. The Franchisee acknowledges and agrees that all of the Confidential Information is the property of the Franchisor and that the Franchisor has the right to use the Confidential Information in any manner it wishes at any time. The Franchisor has the right to contact any and/or all of Franchisee's customers, suppliers and other service providers for quality control, market research and such other purposes as the Franchisor deems appropriate, in its sole and absolute discretion. The Franchisee shall maintain the confidentiality of the Confidential Information and will not use the Confidential Information in an unauthorized manner or disclose the same to any unauthorized person without first obtaining the Franchisor's written consent. The Franchisee acknowledges that the Marks and System have valuable goodwill attached to them, that the protection and maintenance thereof is essential to the Franchisor and that any unauthorized use or disclosure of the Marks, the System or the Confidential Information will result in irreparable harm to the Franchisor.

- a) The Franchisee acknowledges that the Confidential Information is a valuable asset of the Franchisor's, includes trade secrets of the Franchisor and is disclosed to the Franchisee on the condition that the Franchisee, and the Franchisees' owners and employees who have access to the Confidential Information agree that during and after the Initial Term of the applicable agreement they: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and (4) will adopt and implement all reasonable procedures the Franchisor periodically requires to prevent unauthorized use or disclosure of the Confidential Information including requiring employees, Master Property Inspectors, training class attendees, and owners who have access to the Confidential Information to execute nondisclosure and noncompetition agreements as the Franchisor may require periodically, and provide the Franchisor, at the Franchisor's request, with signed copies of each of those agreements.
- b) The restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information, and knowledge which are or become generally known in the property inspection service business, other than through disclosure the Franchisee makes (whether deliberate or inadvertent); and (b) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that the Franchisee is legally compelled to disclose the information, if the Franchisee has notified the Franchisor before disclosure and used the 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.

14.2 The Franchisee covenants and agrees that during the Initial Term of this Agreement and any Interim Period thereof, it shall not, without the prior written consent of the Franchisor, either individually or in partnership or jointly or in conjunction with any person, firm, association, syndicate or corporation, as principal, agent, shareholder 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 or similar to the Business ("Competitive Business") as carried on from time to time during the Initial Term of this Agreement, including any Interim Period thereof.

14.3 Upon termination or expiration of the Initial Term or any Interim Period, or the transfer, sale or assignment of this Agreement by the Franchisee, neither the Franchisee, the Master Property Inspector, Franchisee's employee's providing Services or marketing 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: (1) the Authorized Territory or any other franchisee's authorized territory; (2) within 50 miles of the Authorized Territory or any other franchisee's authorized territory; or (3) within 50 miles of any Franchisor owned Business.

14.4 If any person restricted by this provision refuses voluntarily to comply with the preceding obligations, the two (2) year period will commence with the entry of any order of a court or arbitrator enforcing this provision. THE FRANCHISEE EXPRESSLY ACKNOWLEDGES THAT IT POSSESSES SKILLS AND ABILITIES OF A GENERAL NATURE AND HAS OTHER OPPORTUNITIES TO EXPLOIT SUCH SKILLS. CONSEQUENTLY, ENFORCEMENT OF THE COVENANTS SET FORTH ABOVE WILL NOT DEPRIVE THE FRANCHISEE OF THE ABILITY TO EARN A LIVING.

14.5 The parties have attempted in Section 14.3 above to limit the Franchisee's right to compete only to the extent necessary to protect the Franchisor from unfair competition. The parties hereby expressly agree that if the scope of enforceability of the provision of Section 14.3 is disputed at any time by the Franchisee, a court or arbitrator, as the case may be, may modify Section 14.3 to the extent that it deems necessary to make such provision enforceable under applicable law. In addition, the Franchisor reserves the right to reduce the scope of said provision without the Franchisee's consent, at any time or times, effective immediately upon notice to the Franchisee.

14.6 During the Initial Term (including any Interim Period) of this Agreement and for a period of two (2) years thereafter, the Franchisee shall not attempt to attain an unfair advantage over other associates or the Franchisor or any affiliates thereof by soliciting for employment any person who is, at the time of such solicitation, employed by the Franchisor or any such Affiliates, nor shall the Franchisee directly or indirectly induce or attempt to induce any such person to leave his or her employment as aforesaid.

14.7 Nothing in this Section shall prevent any active officer of Franchisee or member of the 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.

14.8 The 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. The Franchisee acknowledges that a breach of the covenants contained in this Section 14 will be deemed to threaten immediate and substantial irreparable injury to the Franchisor. Accordingly, the Franchisee agrees that the Franchisor will have the right, without prior notice to the Franchisee, to obtain immediate injunctive relief without limiting any other rights or remedies.

14.9 This Section 14 will also apply to the officers, directors, stockholders, partners, members, trustees, beneficiaries and/or principals of the Franchisee, the Franchisee, and any persons controlled by, controlling or under common control with the Franchisee.

15. ASSIGNMENT

15.1 The Franchisee acknowledges that the Franchisor's obligations under this Agreement are not personal, and the Franchisor can unconditionally assign, in its own discretion, this Agreement to another corporation or any other party.

- a) Franchisor reserves the right to assign the franchise system to anyone including the operator of a competing franchise system. Franchisor shall have the absolute right to transfer or assign this Agreement or any of its rights or obligations under this Agreement to any person.
- b) The 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 such case without the Franchisee's consent and, provided the transferee expressly assumes and undertakes to perform the Franchisor's obligations in all material respects, free of any responsibility or liability whatsoever to the Franchisee after the transaction occurs.

15.2 The Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to the Franchisee. Accordingly, this Agreement, the Franchisee's rights and interests hereunder, the property and assets owned and used by the Franchisee in connection with the Business and any shares, stock or interest in any corporation or other entity having an interest in the Business, shall not be voluntarily or involuntarily, directly or indirectly sold, pledged, assigned, transferred, shared, subdivided, subfranchised, encumbered or transferred in any way, 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 15. Any unauthorized sale, assignment, transfer or other conveyance, by operation of law or otherwise, or any attempt to do so, shall be deemed void and grounds for termination of this Agreement by the Franchisor.

15.3 Whether the Franchisee is a general partnership, limited partnership, corporation, or other business entity, no initial personal interest in the entity is assignable or transferable without the Franchisor's prior written consent and compliance in all other respects with the terms of this Section 15.

15.4 With and after each valid assignment of this Agreement pursuant to this Section 15, the assignee or assignees of the Franchisee shall be deemed to be the Franchisee under this Agreement and will be bound by and liable for all of the Franchisee's existing and future obligations. No stockholder in any corporation which becomes the Franchisee shall have any rights under this Agreement because of his, her or its stock ownership, and the name of such corporation shall not include any of the Marks.

15.5 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) the Franchisee being then in full compliance herewith and paying to the Franchisor all outstanding debts or amounts owing to the Franchisor;
- b) the transferee executing the Franchisor's then current franchise agreement but which may contain provisions substantially different from those contained in this agreement,

including a higher royalty and greater expenditures for marketing and promotion than are provided hereunder, and such other documents then customarily used by the Franchisor to grant franchises), all other documents as may be reasonably requested by the Franchisor and paying to the Franchisor a transfer fee in the amount of \$5,000 U.S. The Transfer Fee includes the cost of the initial training program for one person. If the Franchisee transfers its Inspect-It 1st Business, it must also transfer its Pro Energy Consultants Business and the transfer fee to transfer both businesses will be \$8,900.00.

- c) the Franchisee's execution of a termination agreement/general release of the Franchisor, including its officers, directors, agents and employees, from its obligations under the Agreement;
- d) the transferee purchasing all of the 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 such liabilities have been paid prior to the closing of the transaction of purchase and sale or unless the sale is a sale of shares in the capital stock of the Franchisee;
- e) the transferee shall be an entity having adequate financial resources who shall meet all criteria established by the Franchisor for franchisees, and complete the Franchisor's then current training program established by the Franchisor for franchisees unless the transfer will not result in a new transferee or individual being responsible for the daily operations of the Business;
- f) the parties to the proposed transaction will have entered a binding agreement subject only to the rights of the Franchisor. Franchisor shall be furnished a copy of this binding agreement ("Purchase Offer") at least 60 days prior to the closing of the transaction, and such Purchase Offer shall be subject to the Franchisor's approval in writing. The Franchisee must advise each prospective transferee of this provision and the other terms of this Agreement;
- g) the stockholders, partners or members of a beneficial interest in a proposed corporate, partnership, or other entity transferee, providing jointly and severally such personal guarantees which the Franchisor may request, guaranteeing the proposed transferee's performance of its obligations under the agreements to be entered into;
- h) the proposed transferee shall 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 franchised 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 available to a franchisee, no assignment to a competitor of the Franchisor will be permitted;

- i) the transferee paying all costs of the Franchisor with respect to the granting of its approval, 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;
- j) the Franchisee must provide Franchisor with a copy of the certificate of insurance and other documents that may be requested by Franchisor, including the policy, evidencing the Errors & Omission tail policy required in Section 12 and the Manual.

15.6 Notwithstanding anything to the contrary contained in this agreement, the Franchisor shall, upon the Franchisee's compliance with such requirements as may from time to time be prescribed by the Franchisor (including the obtaining of all necessary approvals to the assignment of leases, if any, of the premises), consent to an assignment of the Franchisee's right title and interest in and to this Agreement, and the property and assets owned and used by the Franchisee in connection therewith and any other agreement then in effect between the Franchisee and the Franchisor to a corporation which is wholly owned and controlled by the Franchisee, subject to the following (provided that such assignment shall in no way release the Franchisee from any liability under this Agreement):

- a) Contemporaneously with such assignment and thereafter upon the appointment or election of any person as director or officer of such corporation, such corporation shall cause each shareholder, director(s) and officer(s) of the corporation to execute a written agreement with the Franchisor under seal, personally guaranteeing full payment and performance of the Franchisee's obligations to the Franchisor and individually undertaking to be bound, jointly and severally, by all the terms of this Agreement;
- b) No shares in the capital of such corporation shall be issued nor shall the Franchisee directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, convey, donate, pledge, mortgage or otherwise encumber any such shares or offer or attempt to do so or permit the same to be done without the Franchisor's prior written consent;
- c) The corporation shall maintain stop transfer instructions against the transfer of shares on its records subject to the restrictions of this Section and shall 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 Inspect-It 1st, LLC. Reference is made to said Franchise Agreement and to the restrictive provisions of the Sections of this corporation."
- d) The Sections of incorporation and by-laws of the corporation shall provide that its objectives or business is confined exclusively to the operation of the Business as provided for in this Agreement, and recite that the issuance and transfer of any shares of the corporation is restricted by the terms of this Agreement, and copies thereof shall be furnished to the Franchisor upon request.

- e) The corporation shall not use the name "Inspect-It 1st" or Pro Energy Consultants or any other of the Franchisor's Marks or any name deceptively similar to that as part of its corporate name or trade name;
- f) In the event of a violation of the provision of this Section the Franchisor shall have the option, after giving the corporation five (5) days written notice in which to cure such violation, to forthwith cancel and terminate this Agreement
- g) The Franchisor's consent to a transfer of any interest subject to the restrictions of this Section shall not constitute a waiver of any claim it may have against the assignor, nor shall 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;
- h) The corporation shall advise the Franchisor and keep the Franchisor current as to the names and addresses of the directors and shareholder of and those persons financially involved in the corporation;
- i) The Franchisee agrees to devote its full time and best efforts to manage the day-to-day operations of the franchised business unless it has an operational partner or manager approved by the Franchisor;
- j) The Franchisee acknowledges that the assumption of the Franchisee's obligation by any corporation, partnership or trust does not limit the Franchisee's obligations under this Agreement, and that the Franchisee and the corporation, partnership, trust, or other entity will be jointly and severally liable;
- k) The Franchisee must provide Franchisor with a copy of the certificate of insurance and other documents that may be requested by Franchisor, including the policy, evidencing the Errors & Omission tail policy required in Section 12 and the Manual; and
- l) The Franchisee must pay the Franchisor the transfer fee in the amount of \$5,000 U.S or a transfer fee in the amount of \$8,900.00 if transferring both its Inspect-It 1st and Pro Energy Consultants businesses.
- m) The new owner will pay the non-discounted royalty payment amount in the then current version of the Franchise Agreement.

15.7 Upon the death or incapacity of the Franchisee, or a Franchisee shareholder, partner or member, Franchisor will have the right, but not the obligation to purchase the Franchisee's Business in accordance with Section 16. If the Franchisor does not elect to purchase the Business, the rights granted by this Agreement may pass to the next of kin or legatees, provided that the Franchisee's legal representatives shall within thirty (30) calendar days after Franchisor notifies the Franchisee's legal representative that it is not purchasing the Business apply in writing to the Franchisor for the right to transfer to the next of kin or legatee the Franchisee's rights under this Agreement. Franchisor shall not unreasonably withhold its permission so long as the proposed transferees meet each of the requirements set forth in this Section 15 within sixty days of the receipt of a conditional permission for the transfer. Upon

the death or incapacity of a shareholder, partner or member of Franchisee, the Franchisor, in its sole discretion, has the right to immediately begin operating the Business for as long as it deems necessary and practical until such time as the next of kin or legatees satisfactorily complete the requirements set forth in this Section 15 or Franchisor buys the Business in accordance with Section 16. Franchisor may appoint an administrator to operate the Business as provided in the preceding sentence at Franchisee's sole cost and expense. Franchisee appoints Franchisor as its attorney-in-fact to operate the Business as provided in this Section 15.7. This appointment will be irrevocable and coupled with an interest.

15.8 Any attempt by the 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.

15.9 The Franchisee shall not have the right to grant a subfranchise.

15.10 If the Franchisee shall at any time determine to sell, in whole or in part, the Business, the Franchisee shall obtain a bona fide, executed, written Purchase Offer for the Business together with all real or personal property, leasehold improvements and other assets used by the Franchisee in its Business from a responsible, arms' length, and fully disclosed purchaser and shall submit an exact copy of such offer to the Franchisor, which shall, for a period of fifteen days from the date of delivery of such offer to the Franchisor, have the right, but not the obligation, exercisable by written notice to the Franchisee, to purchase all of the Business and the said assets of the Franchisee, for the price and on the terms offered to the Franchisor subject to the provisions of Section 15 hereof, and provided that:

- A) there shall be deducted from the purchase price the amount of any commissions or fees that would otherwise have been payable to any broker, agent or other intermediary in connection with the sale of such property to the offeree; and
- B) the Franchisor shall 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.

If the sale to such purchaser is not completed within sixty-days after delivery of such offer to the Franchisor, the Franchisor shall again have the right of first refusal provided in this agreement.

16. OPTION TO PURCHASE — RIGHT OF FIRST REFUSAL

16.1 Unless otherwise explicitly provided by this Agreement, the Franchisor shall be entitled to exercise the rights provided in this Section immediately upon:

- a) 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;
- b) The receipt by the Franchisor of a copy of a Purchase Offer; or
- c) The death or incapacity of Franchisee, or a Franchisee shareholder, partner or member.

16.2 Upon any event described in Section 16.1, the Franchisor shall have the option to purchase all of the Franchisee's rights, title and interest in the Business, and all its improvements, furniture, fixtures, equipment and products, and all of the Franchisee's accounts, contract rights, customer and vendor lists, work in progress and other business assets.

16.3 The purchase price for assets itemized in Section 16.2 will be: (i) the current fair market value if Subsection 16.1 (a) or 16.1(c) is applicable; or (ii) the price specified in the Purchase Offer received by the Franchisee if Subsection 16.1 (b) is applicable. If the Franchisee and the Franchisor cannot agree on fair market value within a reasonable time, an independent appraiser will be designated by each of the Franchisee and the Franchisor and an average of the two 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 the Franchisee.

If the Franchisor elects to exercise any option to purchase provided in this Section 16, the Franchisor will have the right to set off all amounts due from the Franchisee under the Franchise Agreement and the cost of the appraisal, if any, against any payment.

16.4 Franchisor will notify the Franchisee of its intention to exercise its rights to purchase ("Notice of Intent") within thirty (30) days following an event described in Section 16.1. The Notice of Intent will specify the assets to be purchased, and the current fair market value as determined by the Franchisor. The Franchisee will have fourteen (14) days following receipt of the Franchisor's Notice of Intent to object to any of the prices specified in the document, and any disputes over pricing shall be resolved through appraisal as specified by Section 16.3. If the Franchisor declines to exercise its rights under this Section within thirty (30) days, the Franchisee may thereafter, sell or dispose of the Business to a third party, but not at a lower price nor on more favorable terms than set forth in the Purchase Offer, if any, and subject to the prior written permission of the Franchisor and satisfaction of the other conditions to assignment set forth in Section 15.

16.5 The purchase and sale contemplated in this Section shall be consummated as soon as practicable. Following the delivery of a Notice of Intent as specified in Section 16.4, the Franchisor or the Franchisor's designee shall have the right to take possession of the Business and to carry on and develop the Business for the exclusive benefit of the Franchisor or its designee.

17. DEFAULT AND TERMINATION

17.1 The Franchisee may terminate this Agreement if they are in compliance with this Agreement and we materially breach this Agreement and fail to cure such material breach within ninety (90) days after Franchisee delivers to Franchisor a written notice specifying the nature of the breach. The Franchisee may terminate this Agreement if they provide Franchisor with thirty (30) days advance written notice. If Franchisee terminates this Agreement, all of their post-termination obligations described in Section 17.6 will not be waived and Franchisee must strictly adhere to those obligations and comply with all other provisions of this Agreement that survive the expiration or termination of this Agreement. The Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted the Franchisee hereunder,

subject to the provisions of applicable state law governing franchise termination and renewal, effective upon receipt of notice by the Franchisee, addressed as provided in Section 19, upon the occurrence of any of the following events:

- A) The Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of the Franchisor's Manuals or any other Trade Secrets or Confidential Information of the Franchisor;
- B) The Franchisee voluntarily abandons the Business for a period of five (5) consecutive days, or any shorter period that indicates an intent by the Franchisee to discontinue operation of the Business, unless such abandonment is due to fire, flood, earthquake or other similar causes beyond the Franchisee's control and not related to the availability of funds to the Franchisee;
- C) The Franchisee becomes insolvent or is adjudicated a bankrupt; or any action is taken by the Franchisee, or by others against the Franchisee under any insolvency, bankruptcy or reorganization act, or if the Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed for the Franchisee;
- D) Any material judgment (or several judgments which in the aggregate are material) is obtained against the 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 the 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 the Franchisee's business shall be sold after levy thereupon by any sheriff, Marshall or constable;
- E) Any owner of greater than 20% of the Franchisee entity or operator is charged or convicted of a felony, a crime involving moral turpitude, 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) The Franchisee fails to pay any amounts due the Franchisor or affiliates within ten (10) days after receiving notice that such fees or amounts are overdue;
- G) The 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) The 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 the Franchisee;
- I) The Franchisee sells, transfers or otherwise assigns the Franchise, an interest in the Franchise or the Franchisee entity, this Agreement, the Business or a substantial portion of the assets of the Business owned by the Franchisee without complying with the provisions of Section 15;

- J) The 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 Revenue by more than two percent (2%), unless the Franchisee demonstrates that such understatement resulted from inadvertent error;
- K) The Franchisee fails, or refuses, to submit any report, financial statement, tax return, schedule or other information or supporting records required in this agreement, or submits such 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 the Franchisee;
- L) The Franchisee sells or offers for sale any unauthorized product or service;
- M) No Center of Operations has been designated and accepted pursuant to Section 2;
- N) The Franchisee contests in any court or proceeding the validity of, or the Franchisor's ownership of the Marks;
- O) Any action is taken by Franchisee which purports to merge, consolidate, dissolve or liquidate such entity without the Franchisor's prior written consent;
- P) The Franchisee fails to successfully complete the Franchisor's training or retraining course(s); or
- Q) The Franchisee receives from the Franchisor during the Initial Term and any Interim Period three (3) or more notices of default regardless whether such notices of default relate to the same or different defaults, or whether such defaults have been remedied by the Franchisee.

17.2 The Franchisor shall have the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon thirty (30) days written notice to the Franchisee, if the 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 the Franchisee, effective upon expiration of the thirty (30) day period. Defaults shall include, but not be limited to, the following:

- A) The Franchisee fails to maintain the then-current operating procedures and standards established by the Franchisor as set forth in this agreement or in the Manuals or otherwise communicated to the Franchisee;
- B) The Franchisee 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;
- C) The Franchisee fails, refuses or neglects to obtain the Franchisor's prior written approval or consent as required by this Agreement;

- D) The Franchisee fails or refuses to comply with the then-current requirements of the Manuals;
- E) The Franchisee defaults under any term of 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 such other franchise agreement or other agreement;
- F) The Franchisee fails to maintain any certifications or licenses required to perform the Services or fails to satisfactorily complete any mandatory continuing education courses or the like when so required;
- G) The Franchisee fails, refuses or neglects to submit a statement of monthly revenues accompanying the Royalty Payment, any other report required by Franchisor when due or fails to submit the Royalty Payment, Marketing Fund Fee or any other sum when due;
- H) The Franchisee fails to comply with any other provision of this Agreement, including but not limited to all insurance requirements set forth in Section 12 and the Manual, or any specification, standard or operating procedure prescribed by the Franchisor and does not correct such 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 shall describe the action that the Franchisee must take) is delivered to the Franchisee.
- I) Notwithstanding the preceding terms, if the breach is curable, but is of a nature which cannot be reasonably cured within such thirty (30) day period and the Franchisee has commenced and is continuing to make good faith efforts to cure the breach during such thirty (30) day period, the Franchisee shall be given an additional reasonable period of time to cure the same, but in no event longer than thirty (30) additional days, and this Agreement shall not terminate.

17.3 The Franchisee agrees to pay within five (5) days of the effective date of termination or expiration of the Franchise all amounts owed to the Franchisor and the Franchisee's trade and other creditors which are then unpaid. All periodic payments to the Franchisor shall be deemed to accrue daily and shall be adjusted accordingly and shall include interest at the rate of 18% per annum or the highest rate permitted by law, whichever is lower.

17.4 The Franchisee agrees that upon termination or expiration of the License, it shall take such action within five (5) days as may be required to cancel all registrations relating to its use of any of the Marks. It shall notify the telephone company and all phone and online listing agencies of the termination or expiration of the Franchisee's right to use any telephone number and any classified or other telephone directory listings associated with the Marks and shall authorize the transfer of same to the Franchisor or any new franchisee as may be directed by the Franchisor. The Franchisee acknowledges as between the Franchisor and the Franchisee, the Franchisor has the sole rights to, and interest in all telephone numbers and directory listings associated with the Marks. The Franchisee hereby appoints the Franchisor as its attorney to execute such directions and authorizations as may be necessary or prudent to accomplish this task. In addition, the Franchisee shall:

- A) Immediately discontinue the use of all Marks, signs, structures, forms of marketing, telephone listings and service, the Manuals, and all materials and products of any kind which are identified or associated with the System and return all these materials and products to the Franchisor;
- B) Immediately turn over to Franchisor all materials, including the Manuals, Software, customer lists, records, files, instructions, brochures, marketing materials, agreements, Confidential Information 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 shall Franchisee retain any printed or electronic copies of the Manual or Confidential Information 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 Business; and upon termination or expiration of this Agreement, Franchisee shall take such action within five (5) days to cancel or assign to Franchisor or its designee, all Franchisee's right, title and interest in and to Franchisee's telephone numbers, facsimile numbers and Internet addresses and shall 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 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 such directions and authorizations as may be necessary or prudent to accomplish the abovementioned task. Such appointment is evidenced by Attachment D.
- D) Make no representation nor state that the 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 the Franchisor the option to purchase as set in Section 16; and
- G) Comply with the provisions of Sections 10.8 and 14.3.

- H) Be responsible for all financial payments to us up until the effective date of the Termination Agreement. If the effective date of the Termination Agreement is after the 15th of the month, Franchisee will be held responsible for the entire month's fee.
 - I) Upon the termination of this agreement in accordance with the terms of this Agreement, except in the case of a transfer, Franchisee shall pay to Franchisor, within seven (7) days of the date of termination, as liquidated damages for the premature termination of this Agreement and not as a penalty, an amount equal to 3½ times the royalty fee payable to the Franchisor during the twelve (12) months prior to the effective date of termination. If the Franchisee has been operational for less than twelve (12) months they shall pay an amount equal to 3½ times the royalty fee payable to the Franchisor for the entire period the Franchised Business has been open for business. The Franchisee acknowledges and agrees that such liquidated damages are a reasonable approximation of the damages the Franchisor will incur resulting from the premature termination of the Franchise Agreement, are appropriate because actual damages incurred by the Franchisor will be difficult or impossible to ascertain, are not a penalty, and shall not affect the Franchisor's right to, and are not in lieu of, any other payment, remedy, or damages or relief to the Franchisor.
 - J) Upon the termination of this Agreement, if applicable, Franchisee must return to us in good working condition (to be determined by us, and if not in good working condition, you must pay us the fair market value as determined by us) the infrared camera, blower door, indoor air quality testing equipment, and any applicable accessories.
- 17.5 If, within thirty (30) days after termination of this Agreement by the Franchisor, the Franchisee fails to remove all displays of the Marks from the Business which are identified or associated with the System, or to remove all Software from Computer Systems, the Franchisor may enter the Center of Operations to effect removal. In this event, the Franchisor will not be charged with trespass nor be accountable or required to pay for any displays or materials.
- 17.6 If, within thirty (30) days after termination the 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, the Franchisee hereby irrevocably appoints the Franchisor as the Franchisee's true and lawful attorney for the Franchisee, and in the Franchisee's name, place and stead and on the 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.
- 17.7 Termination of this Agreement shall not affect, modify or discharge any claims, rights, causes of action or remedies which the Franchisor may have against the Franchisee, whether such claims or rights arise before or after termination.
- 17.8 All obligations of the parties to this document which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect notwithstanding such expiration or termination. In particular, but without limiting the generality of the obligations, the provisions of Sections 10, 12, 14 and 16, hereof shall survive termination or expiration of this Agreement.

17.9 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 the Franchisee concerning assets used at any time by the Franchisee in the Business or which are situated on the Business premises, such Loan, Note or Security Interest shall, upon the effective date of termination or expiration, immediately become fully due and payable as to all principal and interest so loaned and secured.

17.10 Upon the default of this Agreement, Franchisee's account access to certain third-party software programs shall be suspended. Upon the termination of this Agreement, Franchisee's account access to certain third-party software programs shall be terminated.

17.11 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, SUCH LAW SHALL GOVERN THE FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

18. MINIMUM PERFORMANCE

18.1 Franchisee must meet minimum Gross Revenue requirements of at least \$30,000 within the first 12 months of signing the Franchise Agreement (after the Grace Period); \$40,000 during the second 12 months; \$50,000 during the third 12 months; \$60,000 during the fourth 12 months; and \$80,000 during the fifth 12 months and for each 12 months thereafter during the remaining term. The waiver of Franchisor's right to terminate this Agreement for the failure of Franchisee to meet the minimum Gross Revenue requirements during any period shall not constitute a waiver of Franchisor's right to terminate this Agreement for Franchisee's subsequent failure to meet minimum Gross Revenue requirements. Breach of this Section is not subject to cure.

19. NOTICE

19.1 Any notice of default or termination under this Agreement shall be either (a) delivered personally or (b) sent by US mail or (c) sent by overnight courier or (d) served by facsimile or (e) served by electronic mail, or any combination thereof. Service will be considered to have been perfected when received in the case of hand delivery, or three (3) business days after being placed in the US mail to the party to be notified, or one (1) business day after sending by overnight courier, or three (3) business days after transmission in the case of facsimile or electronic mail. Any notice of default or termination under this agreement or any other notice, request, demand, approval, consent or other communication which the parties hereto may be required or permitted to give hereunder shall be in writing and in the case of the Franchisor to:

Inspect-It 1st, LLC

7100 E. Pleasant Valley Road, Suite 300
Independence, Ohio 44131
Attn: CEO or COO
Facsimile Number: 800.649.1357
E-mail: jharcourt@merrymtg.com

In the case of the Franchisee to:

Franchisee Name
Franchisee Address
Franchisee Facsimile Number
Franchisee E-mail Address

Any party must give notice in writing to the other party of any change of address at least three (3) business days prior to the effective date of such change.

20. MISCELLANEOUS

20.1 Should the Franchisee, or any partnership or joint venture or corporation in which the Franchisee has a controlling equity interest, be a franchisee pursuant to another franchise agreement with the Franchisor, respecting another franchised business using the Marks, a default under this Agreement shall constitute a default under such other franchise agreement and vice versa, with like remedies available to the Franchisor. Should such 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 shall be forthwith surrendered by the 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 shall be forthwith surrendered and terminated. In the event that there is more than one Franchisee, or if the Franchisee should consist of more than one legal entity, the Franchisee's liability hereunder shall be both joint and several. A breach hereof by one such entity or the Franchisee shall be deemed to be a breach by both or all.

20.2 All royalty and marketing contributions, all amounts due for goods purchased by the Franchisee from time to time from the Franchisor or its affiliates and any other amounts owed to the Franchisor or its affiliates by the Franchisee pursuant to this Agreement or otherwise shall bear interest after the due date at the rate of six percent (6%) over the prime lending rate of the Franchisor's bank, calculated and payable weekly, not in advance, both before and after default, with interest on overdue interest at the aforesaid rate. The acceptance of any interest payment shall not be construed as a waiver by the Franchisor of its rights in respect of the default giving rise to such payment and shall be without prejudice to the Franchisor's right to terminate this Agreement in respect of such default.

20.3 Time shall be of the essence of this Agreement and of every part thereof.

20.4 Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement shall be interpreted under

the laws of the State of Ohio, and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the State of Ohio, which laws shall prevail in the event of any conflict of law. The 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 in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving the Franchisee, its officers or directors and the Franchisor, its officers, directors or sales employees both parties agree that the exclusive venue for disputes between them shall be in the State of Ohio and each waive any objection either may have to the personal jurisdiction of or venue in the State of Ohio. The Franchisee irrevocably submits to the jurisdiction of such courts and waives any objection the Franchisee may have to either the jurisdiction or venue in such court.

20.5 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 such law or rule shall be substituted for the notice requirements hereof. Such modifications to this Agreement shall be effective only in such jurisdiction and shall be enforced as originally made and entered into in all other jurisdictions. The Franchisor shall have the right unilaterally to reduce the scope of any covenants of the Franchisee contained in this Agreement upon notice to the Franchisee, whereupon the Franchisee shall comply therewith as so modified.

20.6 In the event of termination of the Agreement for any reason whatsoever the parties shall accept the default remedies contained in this Agreement as full and final satisfaction of all claims and neither party shall claim against the other for damages.

20.7 All provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained in this Agreement; all partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable.

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

20.9 If either party institutes a legal proceeding, including court proceeding and 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 shall be 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.

20.10 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 shall 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 the Franchisee or the Franchisor's other franchisees shall 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 shall constitute or be implied as a waiver of the Franchisor's right to enforce that provision at any future time.

- 20.11 This Agreement, together with the Manuals, any written related agreements, all Exhibits, and the State Addenda attached to the Disclosure Document as Exhibit G, constitutes the entire understanding and agreement between the Franchisee and the Franchisor and supersedes all prior understandings, whether oral or written, pertaining to this Agreement, License, System or Business. No interpretation, change, termination or waiver of any provision of this Agreement, and no consent or approval under this Agreement, shall be binding upon the Franchisee or the Franchisor or effective unless in writing signed by the Franchisee and the Franchisor's CEO or COO, except that a waiver need be signed only by the party waiving. The 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 hereof or collateral, made by the Franchisor, its officers, directors, agents, employees or contractors except as provided in this Agreement. The Franchisee acknowledges that the Franchise has been granted in reliance upon the information supplied to the Franchisor in the Franchisee's application for a Franchise.
- 20.12 The Franchisee agrees that it shall not, on grounds of an alleged nonperformance by the Franchisor of any of its obligations or any other reason, withhold payment of any amount due to the Franchisor whatsoever. No endorsement or statement on any check or payment of any sum less than the full sum due to the Franchisor shall be construed as an acknowledgment of payment in full or an accord and satisfaction, and the Franchisor may accept and cash such check or payment without prejudice to its right to recover the balance due or pursue any other remedy provided in this Agreement or by law. The Franchisor may apply any payments made by the Franchisee against any past due indebtedness of the Franchisee as the Franchisor may see fit. The Franchisor may set off against any payment due to the Franchisee hereunder any outstanding debts of the Franchisee to the Franchisor, and may, at the Franchisor's option, pay the Franchisee's trade creditors out of any sum otherwise due to the Franchisee.
- 20.13 The rights of the parties to this document are cumulative and no exercise or enforcement by a party of any right or remedy hereunder shall preclude the exercise or enforcement by that party of any other right or remedy in this Agreement contained.
- 20.14 The headings of the sections hereof are for convenience only and do not define, limit or construe the contents of the sections of such Sections or other Sections. The term "Franchisee" as used in this Agreement is applicable to a corporation, partnership or limited liability company, as the case may be, and the singular usage (where applicable) includes the plural. References to "Franchisee" which are applicable to an individual or individuals, mean the principle owner or owners of the equity or operating control of the Franchisee. The term "lease" shall include the Sublease, and a renewal or extension of a lease or Sublease. 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 such period shall be excluded; if the last day of such period is a non-business day, the period in question shall end on the next business day.

- 20.15 The parties to this document declare that they are independent contractors and not agents or partners, and no training or supervision given by, or assistance from, the Franchisor shall be deemed to negate such independence. The Franchisee acknowledges that the success of its Business is largely dependent on its own efforts and hereby assumes the responsibility for its success or failure. The 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. The Franchisee shall conspicuously identify itself at its Business premises as the owner and tenant of the premises and a licensed Franchisee of the Franchisor. Neither party to this document shall make any agreements, representations or warranties (except by the Franchisor in marketing as provided in this Agreement) in the name of, or on behalf of, the other party; neither party to this document shall be obligated by, nor have any liability for, any agreements, representations or warranties made by the other (except by the Franchisor in marketing as provided in this Agreement) nor shall the Franchisor be liable for any damages to any person or property, directly or indirectly, arising out of the operation of the Franchisee's Business, whether caused by the Franchisee's negligent or willful action or failure to act. The Franchisor shall have no liability for any sale, use, excise, income, property, or other tax levied upon the Franchisee's location or the Business or its assets or in connection with the services performed or sales made by the Franchisee.
- 20.16 Neither party to this document shall be 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. Any such delay shall extend performance only so long as such event is in progress.
- 20.17 The Franchisee shall execute and deliver such further instruments, contracts, forms and other documents, and shall perform such further acts, as may be necessary or desirable, to carry out, complete and perform all terms, covenants and obligations in this Agreement contained. The Franchisee hereby irrevocably appoints the Franchisor as his attorney, and hereby empowers him to execute such instruments regarding the Marks for and in the Franchisee's name in order to give full effect to Sections 12, 15, and 17 of this Agreement. The Franchisee hereby declares that the powers of attorney in this Agreement granted may be exercised during any subsequent legal incapacity on its part.
- 20.18 This Agreement shall be binding upon, and subject to Section 15 hereof, shall inure to the benefit of, the Franchisee's successors and permitted assigns.
- 20.19 This Agreement may only be modified or amended by a written document executed by the Franchisee and the Franchisor. The 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, in its sole discretion, deems necessary to protect, promote, or improve the Marks, and the quality of the System, but under no circumstances will such modifications be made arbitrarily without such determination.

- 20.20 The Franchisee shall not be allowed to set off amounts owed to the Franchisor for the Royalty Fee, fees or other amounts due hereunder, against any monies owed to the Franchisee, which right of set off is hereby expressly waived by the Franchisee.
- 20.21 From time to time, the Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents of the Franchisor or independent contractors which the Franchisor has contracted with to provide such services. The Franchisee agrees in advance to any such delegation by the Franchisor of any portion or all of its obligations and duties hereunder.
- 20.22 Nothing in this Agreement shall prevent the Franchisor or the 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.

21. ARBITRATION

21.1 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 or agent of the Franchisor; any claim of breach of this Agreement; and any claims arising under State or Federal laws, shall 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 shall be governed exclusively by the Federal Arbitration Act, as amended, and arbitration shall take place according to the commercial arbitration rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. The arbitration shall be held in Cleveland, Ohio. However, arbitration will not be used for any dispute which involves the Franchisee's continued usage of any of the Marks, Software 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, all of which issues will be submitted to a court within the State of Ohio. The parties expressly consent to personal jurisdiction in the State of Ohio and agree that such court(s) will have exclusive jurisdiction over any such issues not subject to arbitration.

- a) Each party will select one arbitrator and the two so chosen will select a third, and failing selection of an arbitrator by either party or by the two chosen by the parties, the arbitrator(s) shall be selected from a panel of neutral arbitrators provided by the American Arbitration Association and shall be chosen by the striking method. The parties each shall bear all of their own costs of arbitration; however, the fees of the arbitrators shall be divided equally between the parties. The arbitrators shall have no authority to amend or modify the terms of this Agreement. The prevailing party shall

be entitled to actual costs and attorneys' fees incurred in any such arbitration. The award or decision by a majority of the arbitrators shall be final and binding on the parties and may be enforced by judgment or order of a court having subject matter jurisdiction in the state where the arbitration took place. The parties consent to the exercise of personal jurisdiction over them by such courts and to the propriety of venue of such courts for the purpose of carrying out this provision; and they waive any objections that they would otherwise have concerning such matters.

- b) Parties to arbitration under this Agreement shall include, by consolidation, joinder or in any other manner, any person other than the Franchisee and any person in privity with or claiming through, in the right of or on behalf of the Franchisee or the Franchisor, unless both parties consent in writing. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between the Franchisor and the Franchisee or any person in privity with or claiming through, in the right of or on behalf of the Franchisee or the Franchisor.
- c) The parties agree that any arbitration arising out of a dispute relating to this Agreement is only a matter between the Franchisor and the Franchisee and no other franchisees. The Franchisee agrees not to join or attempt to join other franchisees or licensees.

22. ACKNOWLEDGEMENT

22.1 BEFORE SIGNING THIS AGREEMENT, THE FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL.

22.2 THE FRANCHISEE ACKNOWLEDGES THAT:

- a) THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED IN THIS AGREEMENT INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON THE FRANCHISEE'S ABILITY AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS, AND
- b) NO ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, HAS BEEN GIVEN AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED, AND
- c) 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
- d) FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE PROPERTY INSPECTION SYSTEM AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISK AND WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT

BUSINESS PERSON. INSPECT-IT 1ST, LLC EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

This entire Agreement, including corrections, changes, and all attachments and addenda, will only be binding upon the Franchisor when executed or initialed by the Franchisor's authorized representative.

The Franchisee and the Franchisor, intending to be legally bound, have duly executed and delivered this Agreement on this _____ day of _____, 20__.

FRANCHISOR:

Inspect-It 1st, LLC

By: _____
Jeffrey R. Harcourt
COO, Secretary & Treasurer
Marathon Management Services, LLC
On Behalf of Inspect-It 1st, LLC

Date: _____

FRANCHISEE:

By: _____

Its: _____

Date: _____

**ATTACHMENT A
TO FRANCHISE AGREEMENT**

CENTER OF OPERATIONS AND AUTHORIZED TERRITORY

Center of Operations: _____

Authorized Territory: _____

Territory zip codes: _____

Initial Franchise Fee: _____

Minimum Monthly Royalty during First 12 Months: _____

Minimum Monthly Royalty begins with sales from the month of _____, 20__.

FRANCHISEE ACKNOWLEDGMENT:

Signature: _____

Date: _____

FRANCHISOR ACKNOWLEDGMENT:

By: _____

Jeffrey R. Harcourt
COO, Secretary & Treasurer
Marathon Management Services, LLC
On behalf of Inspect-It 1st, LLC

Date: _____

**ATTACHMENT B
TO FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Franchise Agreement executed between _____ and **Inspect-It 1st, LLC**, a Delaware limited liability company with a principal office at 7100 E. Pleasant Valley Rd., Ste. 300, Independence, OH 44131 ("**Franchisor**"), each of the undersigned hereby personally and unconditionally:

1. Guarantees to the Franchisor and its successors and assigns, for the Initial Term, including any Interim Period thereof, that _____ ("**Franchisee**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and

2. 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 14.2, Non-Competition During Initial Term, Section 14.3, Post-Termination Covenant Not to Compete, Section 14.1, Confidentiality of Proprietary Information, and Sections 14.5, 14.7, and 14.8.

Each of the undersigned waives the following:

3. Acceptance and notice of acceptance by the Franchisor of the undertaking;
4. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
5. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
6. Any right he or she may have to require that any action be brought against the Franchisee or any other person as a condition of liability; and
7. 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:

8. His or her direct and immediate liability under this guaranty shall be joint and several;
9. He or she shall render any payment or performance required under the Agreement upon demand if the Franchisee fails or refuses punctually to do so;
10. Such liability shall not be contingent or conditioned upon pursuit by the Franchisor of any remedies against the Franchisee or any other person; and

11. Such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to the 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 shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the Initial Term, including any Interim Period thereof.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was executed.

**GUARANTOR(S)
(INCLUDING ALL SPOUSES)**

**PERCENTAGE OF OWNERSHIP
IN FRANCHISEE**

ACKNOWLEDGMENT

The 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 to this document have caused this Agreement to be executed as of the first date set forth above.

ACCEPTED on this ____ day of _____, 20__.

FRANCHISEE:

By: _____

Its: _____

**ATTACHMENT C
TO FRANCHISE AGREEMENT
STATEMENT OF OWNERSHIP**

Entity Name: _____

**Form of Ownership
(Check One)**

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.

The Franchisee acknowledges that this Statement of Ownership applies to the Property Inspection 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.

Print Name: _____

Signature: _____

Title: _____

Date: _____

**ATTACHMENT D
TO FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS,
TELEPHONE LISTINGS AND INTERNET ADDRESSES**

THIS ASSIGNMENT is entered into this ____ day of _____, 20____, in accordance with the terms of the **Inspect-It 1st, LLC Franchise Agreement ("Franchise Agreement")** between _____ ("**Franchisee**") and **Inspect-It 1st, LLC ("Franchisor")**, executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate an Property Inspection Business ("**Franchise Business**") located at _____ ("**Center of Operations**").

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 Internet Website Addresses ("**URLs**") associated with Franchisor's trade and service marks and used from time to time 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 in this Agreement, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to 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, Franchisor shall have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers, the Listings and the URLs, and, in such event, Franchisee shall have no further right, title or interest in the Telephone Numbers, Listings and URLs, and shall 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 shall have the sole right to and interest in the Telephone Numbers, Listings and URLs, and Franchisee appoints Franchisor as Franchisee's true and lawful attorney-in-fact to direct the Telephone Company and the ISP to assign same to Franchisor, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee shall immediately notify the Telephone Company and the ISP to assign the Telephone Numbers, 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 shall direct the Telephone Company and the ISP to effectuate the assignment contemplated hereunder 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, Listings, and URLs upon such termination or expiration and that such assignment shall be made automatically and effective immediately upon Telephone Company's and ISP's receipt of such notice from Franchisor or Franchisee. The parties further agree that if

the Telephone Company or the ISP requires that the parties execute 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 such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described in this Agreement upon termination or expiration of the Franchise Agreement.

ASSIGNEE:

ASSIGNOR:

Inspect-It 1st, LLC

FRANCHISEE

By: Jeffrey R. Harcourt

By: _____

COO, Secretary & Treasurer
Marathon Management Services, LLC
On behalf of Inspect-It 1st, LLC

Its: _____

State of _____
County of _____

On this the ____ day of _____, 20____, before me, the undersigned Notary Public, personally appeared, Franchisee, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged that s/he executed the same for the purpose therein expressed.

IN WITNESS WHEREOF I hereunto set my hand and official seal.

My commission expires

Notary Public

**ATTACHMENT E
TO FRANCHISE AGREEMENT**

**AUTHORIZATION AGREEMENT
FOR PREAUTHORIZED PAYMENT SERVICE**

I (or We if there are joint owners of the account referenced later in this agreement) authorize and request **Inspect-It 1st, LLC** ("Company") to obtain payment for all Royalty Fees and other fees I (we) owe to the Company pursuant to the Franchise Agreement between the Company and me (us), as these amounts become due by initiating a payment entry to my (our) account. The account number, name of financial institution, payment amount, and date on or immediately after which payment should be deducted from the account are identified below. In addition, I (we) authorize and request the financial institution, now referred to as the Bank, to accept the payment entries presented to the Bank and to deduct them from my (our) account without responsibility for the correctness of these payments.

Franchisee Information:

Franchisee Name: _____ Franchisee No.: _____

Payment Date: _____ Payment Frequency: _____

Your Bank Account Information:

Please attach a voided check and we will complete this information for you.

Transit Routing Number: _____ Checking Account Number: _____

Bank Name: _____ Bank Address: _____

Your Name(s): _____
(Please print)

Signature(s): _____

Date Signed: _____

STATE OF _____

COUNTY OF _____

Subscribed and sworn to before me this _____ day of _____, 20____.
Witness my official hand and seal.

Notary Public

**Attachment F
TO FRANCHISE AGREEMENT
COMPLIANCE CERTIFICATION FORM**

The Disclosure Document was provided to me by:

- 1) At least 14 calendar days before I signed a binding agreement.

Franchisee's Initials _____

- 2) At least 14 calendar days before I made any payment to Inspect-It 1st.

Franchisee's Initials _____

Representations:

No promises, agreements, contracts, commitments, understanding, "side-deals", options, rights-of-first-refusal or otherwise have been made to or with me respect to any matter (including but not limited to any representatives or promises regarding advertising, marketing, site location, operational assistance or otherwise) nor have I relied in any way on any such except as expressly set forth in the Franchise Agreement or written

Addendum signed by me and the CEO or COO of Franchisor except as follows:

Franchisee's Initials _____

No oral, written or visual claim or representation, promise, agreement, contract, commitment, understanding or otherwise which contradicted, expanded upon or was inconsistent with the Disclosure Document or the Franchise Agreement was made to me by any person or entity, except as follows:

Franchisee's Initials _____

No oral, written, or visual claim or representation (including but not limited to charts, tables, spreadsheets, or mathematical calculations) which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained) was made to me by any person or entity, except as follows:

Franchisee's Initials _____

No contingency, condition, prerequisite, prior requirement, provision, reservation, impediment, stipulation, provision, or otherwise exists with respect to any matter (including but not limited to obtaining financing, selection, purchase, lease or otherwise of site, operational matters or otherwise) and/or with respect to my fully performing all of my obligations under the Franchise Agreement and/or any other documents to be executed by me nor have I relied in any way on such, except as expressly set forth in a writing signed by me and the CEO or COO of Franchisor, except as follows:

Franchisee's Initials _____

A list of current franchisees and their contact information was provided to me in the FDD by the Franchisor and I acknowledge that I had the opportunity to contact any of the franchisees included in such list. Neither Franchisor nor any of its officers, employees or agents (including any area representative or franchise broker) have made any statements leading me to believe that I may not contact current franchisees; nor have they made any statements leading me to believe I may only contact certain franchisees except as follows:

Franchisee's Initials _____

I understand that the Franchise Agreement includes a personal guaranty which requires me to personally guaranty all of the Franchisee's obligations included in the Franchise Agreement, except as follows:

Franchisee's Initials _____

The Franchisor advised me to consult with a legal and/or financial advisor prior to entering into the Franchise Agreement. Neither Franchisor nor any of its officers, employees or agents (including any area representative or franchise broker) shall be responsible for any advice or statements made by such advisors nor shall they be responsible for my failure to consult with a legal and/or financial advisor, except as follows:

Franchisee's Initials _____

Franchisor does not make or endorse nor does it allow any marketing representative, broker or other individual to make or endorse any oral, written, visual or other claim or representation (including but not limited to charts, tables, spreadsheets, or mathematical calculations) which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects, or otherwise (or from which such items might be ascertained) with

respect to this or any other Franchise, whether made on behalf or for Franchisor, any Franchisee or other individual and expressly disclaims any such information, data or results.

In addition, Franchisor does not permit any promises, agreements, contracts, commitments, understandings, "side deals", options, rights-of-first-refusal or otherwise or variations of, changes in or supplements to the Franchise Agreement or the existence of any contingencies or conditions to Franchisee's obligations except by means of a written Addendum signed by Franchisee and Franchisor.

If any such representations, "side deals", contingencies or otherwise have been made by you, by any person or otherwise exist, immediately inform the CEO of the Franchisor.

The prospective franchisee understands and agrees to all of the foregoing and certifies that all of the above statements are true, correct and complete.

Franchisee acknowledges that Franchisor has relied upon Franchisees' representations made herein as a basis on which to enter into the Franchise Agreement.

Franchisee:

Date:

Attachment G
TO FRANCHISE AGREEMENT
PRO ENERGY CONSULTANTS AMENDMENT

THIS Amendment to the Inspect-It 1st Franchise Agreement ("Amendment") is made this ____ day of ____, 20__, by and between Inspect-It 1st, LLC, a Delaware Limited Liability Company having its main office at 7100 E. Pleasant Valley Rd., Ste. 300 Independence, OH 44131 ("Franchisor"), and _____ located at _____ ("Franchisee").

WHEREAS, Franchisor and Franchisee entered into an Inspect-It 1st Franchise Agreement dated ____, 20__ ("Agreement").

WHEREAS, included in the Inspect-It 1st franchise offering is the incremental right to conduct a home and building performance testing and improvements business using the trademark Pro Energy Consultants. Such right may not be exercised until twelve (12) months after the Effective Date of the Agreement.

WHEREAS, twelve (12) months have passed since the Effective Date of the Agreement and Franchisee would like to exercise its right to conduct a home and building performance testing and improvements business using the trademark Pro Energy Consultants.

WHEREAS, the term of this Amendment shall be consistent with the term of the Agreement.

NOW, THEREFORE, in consideration of the mutual promises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is mutually agreed as follows:

1. Franchisee will pay Franchisor a training fee of Four Thousand Dollars (\$4,000.00) prior to attending training.

2. Franchisee will pay Franchisor an equipment/marketing launch fee of Ten Thousand Dollars (\$10,000.00). The equipment/marketing package will consist of the following items: blower door & components, thermal imaging camera and components, smoke pencil field kit, indoor air quality testing equipment, marketing items, software, and technology (the specific contents of which are subject to change as described in the Operations Manual).

3. The Royalties due shall be calculated based on the combined Gross Revenue of the Pro Energy Consultants Business and the Inspect-It 1st Business (there shall be no grace period for Royalties due for the Pro Energy Consultants Business).

4. The Pro Energy Consultants Business may not be transferred without transferring the Inspect-It 1st Business (consistent with the terms of the Agreement).

5. Except as expressly modified hereby, the terms of the Agreement are and shall remain in full force and effect.

FRANCHISOR:

Inspect-It 1st, LLC

By: _____
Jeffrey R. Harcourt
COO, Secretary & Treasurer
Marathon Management Services, LLC
On Behalf of Inspect-It 1st, LLC

Date: _____

FRANCHISEE:

By: _____

Its: _____

Date: _____

GUARANTEE OF PERFORMANCE

For value received, MERRYMEETING, INC., a Delaware corporation, located at 7100 E. Pleasant Valley Road, Suite 300, Independence, Ohio 44131 (the "*Guarantor*"), absolutely and unconditionally guarantees to assume the duties and obligations of Inspect-It 1st, LLC, a Delaware limited liability company, located at 7100 E. Pleasant Valley Rd., Ste. 300, Independence, OH 44131 (the "*Franchisor*"), under its franchise registration in the State of California, and under its Franchise Agreement identified in its 9/26/17 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 Independence, Ohio on the 10 day of November 2017.

Guarantor:
MERRYMEETING, INC.,
a Delaware corporation

By: 

JEFFREY R. HARCOURT
Chief Operating Officer and Treasurer

EXHIBIT E
INSPECT-IT 1ST

OPERATIONS MANUALS
TABLE OF CONTENTS Inspect-It 1st

Operations Manual

Operations Manual 39

Your Mindset (8 pages)
Success Factors of Top Franchisees (5 pages)
Performing Property Inspections (2 pages)
Conducting the Inspection (3 pages)
Understanding Liability (6 pages)
Processes and Filing (8 pages)
Activity Schedule (7 pages)

Ace Marketing Manual Total 81 Pages

Understanding Your Industry (11 pages)
The Real Estate Industry
Real Estate Professionals
The Players
How the Money Works – Typical Transaction
Documents to Study
The Transaction
The Competition
The Customer
The Real Estate Agent Relationship

The Inspect-It 1st A C E Marketing Program (7 pages)
ACE Team
General
New
Non-Contact
Identifying Groups
People You Already Know
Identifying Real Estate Agents
Affiliated Businesspersons
Record Keeping
Ongoing Group Management

Working by Referral (9 pages)
Success Cycle
Mindset
Building ACE Team Loyalty & Trust
Items of Value
Time to Market
Your Ultimate Goal

Marketing/Advertising Activities (20 pages)

Delivery of Inspection Report
Post-inspection follow-up
E-mail Marketing
Deliver Candy Jars.(The Relationship Builder)
Distribute Flyers or Brochures
Real Estate Agent Events
Open Houses
Contact/Visit with For Sale By Owners (FSBO)
Theme Specials
Real Estate Agent Co-op Advertising
Business-to-Business Cross Promotions
Contact Lenders, Title, and Relocation Companies
Contact Local Groups for Advertising and Presentations
Advertise in Publications
Telemarketing
Public Appearances
Board of Real Estate Agents
Yellow Page Advertising
Public Relations
Property Shows
Television
Radio
Networking
Real Estate Agent Presentations
Get Creative!
Be Consistent in Your Advertising
Filling Your Funnel

Practical Applications (10 pages)
Top Marketing Activities
#1 Real Estate Agent Presentations
#2 Follow-Up with Listing Agents
#3 Networking Groups
#4 Local Associations
#5 Flyers

Initial Marketing (6 pages)
The 1st Wave
Introductory Offers
Phone Calls
Office Visits
The Second Wave

Customer Sales (7 pages)

ACE Local Marketing (11 pages)
Today's Schedule of Activities
Activities Schedule – Weekly Glance
Congratulations!

Appendix (14 pages)
Today's Schedule of Activities
Activities Schedule – Weekly Glance
Marketing Activity Schedule
"People You Already Know"

Talking Points
Real Estate Agent Record Sheet
Personal Note Ideas
Gift Ideas
Inspect-It 1st Marketing Activities Grid

FastStart Manual Total 27 Pages

Introduction.....	2
Key Training Information.....	3
Home Office & Instructors.....	7
Business Setup.....	8
Appendices.....	14

Pro Energy Consultants

Operations Manual

Introduction.....	1
Establishing a Pro Energy Consultants Business.....	9
Personnel/SubContractors	67
Business Practices	138
Marketing	202

Total 250 Pages

FastStart Manual

Introduction.....	1
FastStart Master Project Checklist.....	4
Corporate Office.....	8
New Franchises.....	9
Business Entity.....	19
Operations.....	28
Competition.....	51
Finances.....	56
Auditing Systems.....	60
Business Development.....	110
Sundries.....	137
Training.....	139

Total 139 Pages

Repairs/Improvements Manual

Building Performance Improvements Business Model Setup.....	1
Recruiting Improvement Partners.....	9
Basic Improvements- Materials and Techniques.....	35
Offering the Improvement Services.....	39

Total 59 Pages

EXHIBIT F
LIST OF INSPECT-IT 1st FRANCHISEES AS OF JUNE 30, 2017

Roger Skaggs
671 Copper Basin Rd.
Prescott, AZ 86303
928-771-9255

John Elson
10980 E. Altadena Ave.
Scottsdale, AZ 85259
480-272-6911

Solizona, Inc.
13197 N. 104th. St.
Scottsdale, AZ 85260
480-471-6781

Glenn Kleint
5700 Baltimore Dr. #252
La Mesa, CA 91941
619-548-4110

M.R. Adams
10 Rockridge Dr.
Newnan, GA 30265
678-850-7164

Michael Kelly
130 Ashland Ct.
Waukegan, IA 50263
515-987-9687

Kevin Pickrell
52595 Willowbend Dr.
Granger, IN 46530
574-259-9000

Mark Hardwick
19 Motif Blvd
Brownsburg, IN 46112
317-506-5307

Jeff Leighton
24 Jameco Mill Rd.
Scarborough, ME 4074
207-885-8664

Greg Adkison
411 Keeney Dr.
St. Charles, MO 63304

Keelan James
471 Herford Dr.
Belgrade, MT 59714
406-570-5892

Mitchell Allen
820 Park Lane Ste. 101
East Meadow, NY 11554
516-483-2858

Mitchell Allen & Luis Bigot
111 South Franklin Avenue Ste. 114
Valley Stream, NY 11554
516-612-4284

Jim Deignan
6008 Cocktail Dr.
Las Vegas, NV 89130
702-515-1051

Keith Ketalaar
P.O. Box 1382
Maumee, OH 43537
419-754-6765

Lindsey Golubosky
5193 Forest Ave
Bedford, PA 84014
814-623-4040

Reyes Martinez (4 Units)
6200 Montano Plaza Dr.
NW Apt. #623
Albuquerque, NM 87120
505-933-7022

James Gibson
8185 North Port Drive
Cincinnati, OH 45255
513-913-5378

Doug Headrick
1788 Knoll Ave
Bend, OR 97702
702-515-1051

Kraklio Inspections, Inc.
69 Curtis Street
Pittston, PA 19640
570-470-2582

LIST OF PRO ENERGY CONSULTANTS FRANCHISEES AS OF JUNE 30, 2016

CA, North San Diego

Glenn Kleint
5700 Baltimore Dr., Unit 252
La Mesa, CA 91942
619-548-4110

OH, Cuyahoga County

Mark Canella (3 units)
11121 Kimmeridge Tr.
Newbury, OH 44065
440-773-2573

IL, Geneva

Jerry Needham and Joe Schmalz (2 units)
39W354 West Mallory Dr.
Geneva, IL 60134
630-770-4994

MI, Ann Arbor

Doug King
2516 Pamela Ave
Ann Arbor, MI 48103
734-827-1003

EXHIBIT G

STATE ADDENDUM TO

FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

The following modifications are to the Inspect-It 1st, LLC's Franchise Disclosure Document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement dated _____, 20__.

CALIFORNIA

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

2. Item 3 of the Disclosure Document is amended to provide that none of the persons identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

3. Item 17 of the Disclosure Document is amended to state: California Business and Professions Code Sections 20000-20043 provides rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that this is inconsistent with the California Business and Professions Code, this law will control.

4. The Franchise Agreement provides for termination upon bankruptcy. As disclosed in the Disclosure document, this provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SCC. 101 *et seq.*).

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

6. The Franchise Agreement requires binding arbitration. The arbitration will occur in Cuyahoga County, Ohio with the costs being borne by that party and the arbitrator's fees will be shared equally unless the arbitrator determines otherwise. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the state of California.

7. The Franchise Agreement requires application of the laws of the State of Ohio. This provision may not be enforceable under California law.

8. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before solicitation of a proposed material modification of an existing franchise.

9. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT

OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.

ILLINOIS

1. Any provision in the Franchise Agreement or Disclosure Document that designates jurisdiction, limitation on actions, or venue, with the exception of arbitration proceedings, in a forum outside the State of Illinois are amended to state that Illinois law governs claims arising under the Illinois Franchise Disclosure Act or the Franchise Agreement.

2. The following should be added to Provision F of Item 17 of the Disclosure Document: Illinois law may affect the conditions under which we may terminate the Franchise Agreement, 815 ILCS 705/19 and Rule 200.608.

3. The following should be added to Provision I of Item 17 of the Disclosure Document: Illinois law may affect your rights upon non-renewal, 815 ILCS 705/19 and 705/20.

4. Item 23 of the Disclosure Document is amended as follows: Section 5(2) of the Illinois Franchise Disclosure Act requires 14 calendar days' disclosure prior to the signing of a binding agreement or the payment of any fees to us. Item 23 of the Disclosure Document is amended accordingly, to the extent required by Illinois law.

5. Your rights upon non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20. The conditions under which your franchise can be terminated may be affected by Illinois law, 815 ILCS 705/19 and Rule 200.608.

6. This Agreement shall be interpreted under the laws of the State of Illinois except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.). Litigation governed by the Illinois Franchise Disclosure Act will take place in the State of Illinois. The Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes that may arise between them that does not involve the Illinois Franchise Disclosure Act and have agreed to select a forum in order to promote stability in their relationship.

INDIANA

1. The Franchise Agreement permits the franchisor to fail to renew the franchise for any reason. In addition, the Franchise Agreement obligates the franchisee to arbitrate or litigate disputes outside of the State of Indiana. To the extent these provisions are inconsistent with Indiana law, the Franchise Agreement is amended to provide that Indiana law will govern.

2. For the purposes of complying with the provisions of Indiana Code 23-2-2.7-1(9), Section 6.2 of the Franchise Agreement is amended to limit the area of non-competition after the term to the area included in the Advertised Location.

MARYLAND

1. As a condition to the transfer of the franchise, the Franchise Agreement and Item 17 of the franchisor's Franchise Disclosure document require the franchisee to sign a termination agreement. The Franchise Agreement and the Franchise Disclosure document are both amended to the extent necessary so that this termination agreement will not apply to any claims that arise under the Maryland Franchise Registration and Disclosure Law.

2. The Franchise Agreement and Item 17 of the franchisor's Franchise Disclosure document require a franchisee to sue in a state other than Maryland. The Franchise Agreement and the Franchise Disclosure document are both amended to the extent necessary so that a franchisee may still file a civil lawsuit in Maryland alleging a violation of the Maryland Franchise Law.

3. To the extent that Section 7 of the Franchise Agreement requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law, the Franchise Agreement is amended to state such representations are not intended to, nor shall they act as a release, estoppel, or waiver of, any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

5. Despite any contradicting provision in the Franchise Agreement, you have 3 years from the date on which Inspect-It 1st, LLC grants you the franchise to bring claim under the Maryland Franchise Registration and Disclosure Law.

MINNESOTA

1. Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

2. The 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.

3. Pursuant to Minnesota Statute 80C.12 subdivisions 1(g), to the extent required by law, the Disclosure Document is amended to state that we will protect your right to use the trademark, service mark, trade name, logo or other commercial symbol or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of our trade name.

4. Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a termination agreement. The Disclosure Document and Franchise Agreement are modified accordingly, to the extent required by Minnesota law.

NEW YORK

1. Information comparing franchisors is available. Call the state administrators listed in the Disclosure Document or your public library for sources of information. Registration of this franchise by a State does not mean that the State recommends it or has verified the information in this Disclosure Document. If you learn that anything in the Disclosure Document is untrue, contact the Federal Trade Commission and the appropriate State or provincial authority.

2. The Franchisor may, if it chooses, negotiate with you about items covered in the 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 described in the disclosure document.

3. Item 3 of the Disclosure Document is revised to include the following: The franchisor, its predecessor, or any affiliate of the franchisor offering franchises does not have any administrative, criminal, or civil action pending against anyone. There is no administrative, criminal, or civil action pending against the franchisor, its predecessor, or any affiliate of the franchisor that offers franchises. The franchisor, its predecessor, or any affiliate of the franchisor offering franchises has not been convicted of a felony or pleaded nolo contendere to a felony or misdemeanor charge. The franchisor, its predecessor, or any affiliate of the franchisor offering franchises has not been the subject of a civil action alleging a violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair deceptive practices or comparable allegations.

4. Item 4 of the Disclosure Document is revised to include the following: The franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of this disclosure document has not (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

5. The Initial Franchise Fee for a Property Inspection Business are used by the franchisor as follows: training material costs, other training expenses such as facility use, utilities, and Instructor compensation, start-up materials including the Proprietary software, staff labor costs for setting up new franchisees and providing continual support throughout the term of the Franchise Agreement, and other general costs associated with bringing on new franchisees.

6. This Disclosure Document does not knowingly omit a material fact or contain any untrue statement of material fact.

WASHINGTON

1. If any of the provisions in the Disclosure document or Franchise Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the Disclosure document and Franchise Agreement with regard to any franchise sold in Washington.

2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

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

4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, rights or remedies under the Act such as right to a jury trial may not be enforceable.

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

WISCONSIN

1. The Wisconsin Fair Dealership Law Ch. 135, Sections 135.01-135.07 may affect the termination provisions of the Franchise Agreement.

ACKNOWLEDGMENT:

It is agreed that the applicable previous state law addendum, if any, supersedes any inconsistent portion of the Franchise Agreement dated the ____ day of _____, 20__, the Software Agreement dated the ____ day of _____, 20__ and of the Franchise Disclosure Document, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect.

DATED this ____ day of _____, 20__.

FRANCHISOR:

FRANCHISEE:

By: _____

By: _____

Jeffrey R. Harcourt
COO, Secretary & Treasurer
Marathon Management Services, LLC
On behalf of Inspect-It 1st, LLC

EXHIBIT H

FRANCHISE TERMINATION AGREEMENT

This Franchise Agreement Termination is made and entered into as of _____ (Date), by and between _____ (Franchisee), on the one part, and Inspect-It 1st, LLC, a Delaware limited liability company, on the other part, referred to as Inspect-It 1st.

WHEREAS, a written agreement was entered into on _____ (Date) by _____ (Franchisee) and Inspect-It 1st, in order for _____ (Franchisee) to obtain a Franchise to engage in the property inspection business in the area of _____ (the Franchise Agreement).

WHEREAS, _____ (Franchisee) has been operating a property inspection business in the area of _____.

WHEREAS, _____ (Franchisee) now relinquishes its franchise to engage in the property inspection business in the area of _____.

NOW, THEREFORE, in consideration of the mutual promises in this Agreement and other good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged, IT IS MUTUALLY AGREED as follows:

I. _____ (Franchisee) does hereby assign, transfer and agree to deliver to Inspect-It 1st all books, records, client lists, materials containing Inspect-It 1st's trademarks, and supplies used in the operations under the Franchise Agreement, and _____ (Franchisee) shall perform all reasonable acts to complete such assignments, transfers and deliveries requested by Inspect-It 1st.

2. _____ (Franchisee) does hereby relinquish any and all rights to the use of the federally registered trademarks of Inspect-It 1st and the trade names "Inspect-It 1st" and covenants to immediately cease and desist any and all use of such trademarks and trade names.

3. _____ does hereby agree to return to Franchisor in good working condition (to be determined by Franchisor, and if not in good working condition, _____ must pay Franchisor the fair market value, as determined by IIF) any applicable accessories.

4. _____ does hereby agree to promptly execute such documents or take such actions as may be necessary to abandon _____ use of any assumed name containing any of Franchisor's federally registered trademarks and remove _____ listing as a business from the yellow pages, and all other phone and online marketing.

5. _____ does hereby agree that Franchisor claims ownership of all data stored in certain third-party software programs that have been customized for the Franchisee and _____'s account access shall be terminated immediately.

6. _____ (Franchisee) reaffirms all of its post-termination obligations and covenants set forth in the Franchise Agreement and any and all exhibits.

7. Upon inquiry from third parties, Inspect-It 1st shall inform such third parties that _____ (Franchisee)'s Franchise relationship with Inspect-It 1st has terminated.

8. _____ (Franchisee) does hereby discharge Inspect-It 1st, its officers, directors, employees, agents and affiliates from any and all actions, causes of action, damages, judgments, debts, losses, contracts, claims and demands of whatsoever kind and nature, including without limitations, any and all claims which could be asserted under or with respect to the Franchise Agreement.

9. This Franchise Termination Agreement shall be binding upon and inure to the benefit of each of the parties to this document, including each of their respective successors, assigns, heirs, beneficiaries and personal representatives.

10. This Franchise Termination Agreement shall be construed and interpreted in accordance with the laws of the State of Ohio and may be executed in mutual counterparts which, when taken together, shall consist of one and the same instrument executed as of the latest date of any such counterpart.

IN WITNESS WHEREOF, this Franchise Termination Agreement is entered into on the _____

as of the _____ day of _____, 20____.

INSPECT-IT 1ST, LLC
a Delaware limited liability company

By _____
Jeffrey R. Harcourt
COO, Secretary & Treasurer
Marathon Management Services, LLC
On behalf of Inspect-It 1st, LLC

Franchisee

EXHIBIT I

FRANCHISEES THAT LEFT THE SYSTEM LAST YEAR OR WITH WHICH WE HAVE HAD NO CONTACT IN THE PAST 10 WEEKS

The name and last known city, state and telephone number of every franchisee who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of our application date are as follows:

Name	City	State	Telephone
Jeff Krattiger	Helena	MT	(406) 422-5223
Corey Olson	Centerville	UT	(801) 292-2424
Ed Reeve	Buford	GA	(678) 482-1691
David Sorge	St. Johns	FL	(904) 287-3149

Listed below is the name and last known city, state and telephone number of Pro Energy Consultants franchisees who have had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Pro Energy Consultants Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of our application date are as follows:

Name	City	State	Telephone
John Abdo	Oklahoma City	OK	(918) 521-5151
John Abdo	Tulsa	OK	(918) 521-5151

EXHIBIT J

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (the "Release") is made as of _____, 20____ by _____, a(n) _____ ("Franchisee"), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, "Releasor") in favor of Inspect-It 1st, LLC, a Delaware Limited Liability Company ("Franchisor," and together with Releasor, the "Parties").

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (the "Agreement") pursuant to which Franchisee was granted the right to own and operate a "*insert franchise name*" Business;

WHEREAS, Franchisee has notified Franchisor of its desire to renew the Agreement and Franchisor has agreed to enter into a renewal franchise agreement; and

WHEREAS, as a condition to Franchisee's ability to enter into a renewal franchise agreement, Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor entering into a renewal franchise agreement, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, Releasor hereby agrees as follows:

Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims or obligations being terminated and released hereunder. _____ represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

Release. Releasor and its affiliates and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit and forever discharge Franchisor and affiliates and its and their past and present officers, directors, agents, partners, shareholders, employees, and representatives (collectively, the "Released Parties"), from any and all claims, liabilities, damages, expenses, actions or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever.

Miscellaneous.

a. This Release shall be construed and governed by the laws of the State of Ohio.

b. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

c. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

d. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, renewals, franchisees, and assigns. No other party shall be a third-party beneficiary to this Release.

e. The Parties agree to do such further acts and things and to execute and Deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

IN WITNESS WHEREOF Releasor has executed this Release as of the date first written above.

RELEASOR:

FRANCHISEE

_____, a

By: _____

Name: _____

Its: _____

FRANCHISEE'S OWNERS

Date _____

Signature

Typed or Printed Name

Date _____

Signature

Typed or Printed Name

EXHIBIT K

RECEIPTS (KEEP THIS COPY)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Inspect-It 1st 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. New York law requires a franchisor to provide the franchise disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Inspect-It 1st 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 state agencies listed in Exhibit A.

FRANCHISE SELLERS:

Mark Sweeterman, Marty Lenich, and John Elson

7100 E. Pleasant Valley Rd., Ste. 300

Independence, OH 44131

877-392-6278 Mark- ext. 617, Marty- 480-471-6781, John- 800-528-1187 ext. 2265

DATE OF ISSUANCE: September 26, 2017

We authorize the agents listed in Exhibit B to receive service of process for us.

I have received a Franchise Disclosure Document dated September 26, 2017.. This Disclosure Document included the following Exhibits:

- A. List of State Regulatory Agencies and Administrators
- B. List of Agents for Service of Process
- C. Franchise Agreement with Attachments
- D. Financial Statements
- E. Table of Contents of Confidential Operating Manuals
- F. Current List of Franchisees
- G. State Addendum
- H. Termination Agreement
- I. Franchisees that left the system last year
or with which we have had no contact in the past 10 weeks.
- J. Waiver and Release of Claims
- K. Receipt

Date Received: _____

Prospective Franchisee/Applicant (please sign): _____

Prospective Franchisee/Applicant (please print): _____

Spouse of Prospective Franchisee/Applicant (please sign): _____

Spouse of Prospective Franchisee/Applicant (please print): _____

Name of Business Entity: _____

EXHIBIT K

RECEIPTS (RETURN THIS COPY TO US)

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7100 E. Pleasant Valley Rd., Ste. 300

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Date Received: _____

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Prospective Franchisee/Applicant (please print): _____

Spouse of Prospective Franchisee/Applicant (please sign): _____

Spouse of Prospective Franchisee/Applicant (please print): _____

Name of Business Entity: _____

Type forward slash s forward slash /s/ First Name Last Name (i.e. /s/ John Smith) on the signature line above if you consent to the electronic signing and storing of your signature. By doing so, you are signing the Authorization for Release of Information electronically and agree that your electronic signature is the legal equivalent of your manual signature on the Authorization for Release of Information.