FRANCHISE DISCLOSURE DOCUMENT

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The franchise offered is for the establishment and operation of business providing professional residential and commercial painting and minor home improvement services. Existing painting contractors may also be eligible to convert their existing business to a Klappenberger & Son franchise.

The total investment necessary to begin operation of a Klappenberger & Son franchise is from \$86,648 to \$145,403. This includes \$47,000 that must be paid to the franchisor. The total investment necessary to convert an existing painting business to a Klappenberger & Son franchise is from \$63,348 to \$123,323, which includes \$20,000 that must be paid to the franchisor.

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

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

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

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

Issuance Date: March 17, 2025

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Klappenberger & Son business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Klappenberger & Son franchisee?	Item 20 lists current and former franchisees. You can contact them to ask about their experiences
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation. Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

Certain states require that the following risks be highlighted:

1. Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes with the franchisor by mediation and, if necessary, arbitration only in the county where the franchisor's principal place of business is located, which currently is Horry County, South Carolina. Out-of-state mediation or arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or arbitrate with the franchisor in South Carolina than in your own state.

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

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

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

The Franchisor

To simplify the language in this Disclosure Document, the words "we," "our" and "us" refer to HOOK & WILSON, LLC, the franchisor of this business. The words "you" and "your" refer to the person who buys the franchise whether you are an individual or a corporation, limited liability company, or other legal entity. If you are a corporation, limited liability company, or other business entity, certain provisions of this Disclosure Document also apply to your owners and will be noted.

We were organized as a limited liability company in the State of Maryland on October 3, 2014. Our principal business address is 902 Bluffview Drive, Myrtle Beach, South Carolina 29579. We do business only under our corporate name and the name "KLAPPENBERGER & SON".

Our Parents, Predecessors and Affiliates

We have no predecessor companies or parents. Our affiliate Klappenberger & Son, LLC operated the original Klappenberger & Son business in the central Maryland area from 1989 until it sold that business on March 29, 2019 to Tucker Painting & Handyman LLC, which became our franchisee. Klappenberger & Son, LLC merged into us on October 8, 2019.

Our Business Activities

Hook & Wilson, LLC grants franchises to qualified individuals and business entities to establish and operate painting and minor home improvement businesses in conjunction with the service marks "Klappenberger & Son" and certain other logos and trademarks (collectively referred to as the "Marks").* We refer to the Klappenberger & Son business you will operate as the "Franchised Business." We have offered franchises for "Klappenberger & Son" businesses since March 2015. We do not offer and have not previously offered franchises in any other line of business.

The Franchised Business

We offer franchises for Klappenberger & Son businesses that specialize in the provision of painting and minor renovation services, primarily to residential and property managers for both commercial and non-commercial space. The services offered are complete interior and exterior painting and staining, wallpaper removal, wall repair, power washing, deck staining, gutter cleaning, carpentry, and miscellaneous handyman repairs. In addition, Klappenberger & Son

*Capitalized terms not otherwise defined have the same meaning as in our Franchise Agreement attached in Exhibit C.

businesses strive to be a "one stop shop" for their customers, providing other building repair or improvement services through sub-contracting to qualified tradesmen such as masons, plumbers and electricians. Our system places a premium on building strong working relationships with property management firms and other home improvement contractors.

Each Klappenberger & Son business must operate in accordance with the Klappenberger & Son "System." The distinguishing characteristics of the System include proprietary trade names and trademarks, service marks, logos, slogans, signage, vehicle organization systems, uniforms and our standard customer friendly transparent pricing system.

Each franchise is assigned a geographic area in which (i) we will not establish, or license others to establish, a Klappenberger & Son business, (ii) only your franchise may engage in the general solicitation (or "mass marketing") of potential customers, and (iii) you are required to focus your business development expenditures and efforts. This is known as your Area of Primary Responsibility, or "APR." However, you may provide the services at any geographic location, provided that your jobs outside of the APR are as a result of personal referrals or relations with property managers that operate both within your APR and in other locations. Likewise, other franchisees may provide services in your APR if the jobs are as a result of referrals or relations with property managers that operate in multiple jurisdictions.

General Description of the Market and Competition

Our concept is targeted towards affluent homeowners and the managers of multi-unit residential and small commercial properties. You will compete with other businesses that provide painting and minor renovation services, including CertaPro Painters and Handyman Matters, as well as local providers of such services. Sales generally are typically strongest from April until November, although our range of services allows for a reasonable flow of business in cold-weather months. The market for painting and minor renovations services is highly developed.

Regulations

In addition to laws that apply to all businesses, you must comply with the U.S. Environmental Protection Agency ("EPA") Lead Renovation, Repair and Painting Rule (the "RPP"), which requires certification of all renovation, repair, and painting firms working in housing, or facilities where children are routinely present and that were built before 1978. To obtain certification, your Klappenberger & Son franchise must employ a certified renovator who has been trained by EPA-approved training provider and follows lead-safe work practices. If you do not obtain the RPP certification then you will not be able to provide services at those categories of older homes, schools or childcare facilities. Several states have additional or supplementary legal requirements for projects that may disturb existing lead-based paint.

Both the EPA and some states regulate the disposal of oil or enamel based paints, and paint cans that contained oil or enamel based paints. There may be other laws and codes applicable to your business and we urge you to make further inquiries about those laws and codes.

The services provided by Klappenberger & Son franchisees to homeowners are considered "home improvements" under many state laws. Your state or municipality may require you to obtain a license or permit, and/or require prior experience in the home improvement or construction industries before you can offer or perform the services described in this disclosure document. It is your responsibility be aware of and comply with any such laws, regulations and requirements in your state or municipality.

In addition to laws and regulations that apply to businesses generally, there are consumer protection laws that exist in several states. You must comply with all local, state and federal laws that apply to your Business and to the public. Those laws include health sanitation, smoking, Equal Employment Opportunity Commission ("EEOC"), Occupational Safety and Health Administration ("OSHA"), fair credit transactions laws and regulations, Federal Trade Commission ("FTC"), pricing laws and employment laws. There may be other laws and codes applicable to your business and we urge you to make further inquiries about those laws and codes.

Please note that you are solely responsible for knowing about and complying with all laws and regulations applicable to your Franchised Business. Therefore, you should consult with your attorney regarding these and other laws that may affect the operation of your "Klappenberger & Son" business.

Agent for Service of Process

Our agent for service of process is disclosed in Exhibit B to this Disclosure Document.

ITEM 2. BUSINESS EXPERIENCE

David Klappenberger: Member

Mr. Klappenberger has been a Member in us since our founding in October 2014. He was the primary owner and operator of our affiliate Klappenberger & Son, LLC from its founding as a sole proprietorship in 1989, its conversion to David M. Klappenberger & Son, LLC in 2009, and its change to its current name in 2012, until its sale of the Klappenberger & Son of Anne Arundel County business to a franchisee and then its merger into us in October 2019.

Jean Klappenberger: Member

Mrs. Klappenberger has been a Member in us since our founding in October 2014. She has been a Member and the Accounting Manager of our affiliate Klappenberger & Son, LLC from January 2013 until its merger into us in October 2019.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

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

ITEM 5. INITIAL FEES

The initial franchise fee ("Franchise Fee") for each Klappenberger & Son business offered through this Disclosure Document is $47,000, which we intend to discount solely for the reasons discussed below. As further explained in Item 12 of this Disclosure Document, you will be assigned an Area of Primary Responsibility ("APR") in which only your franchise may engage in the general solicitation (or "mass marketing") of potential customers. The standard APR for a franchise in a metropolitan area will contain a minimum of 400,000 in residential population and a maximum of 600,000, but the size, scope and geographic dimensions of any APR will be determined by us based on the population density, demographic factors, and other parameters such as county or zip code boundaries. If you wish to have an APR in excess of 600,000 in residential population and we decide to allow you to have a larger APR, then the initial franchise fee will be increased by $100 per additional 1,000 in residential population, as determined through use of a reputable third-party software provider such as Intellevue.

We reserve the right to provide discounts of up to $10,000 on the Franchise Fees to past or current employees or subcontractors of our affiliate's Klappenberger & Son business.

We also offer an incentive to individuals who have been honorably discharged from the military since calendar year 2002. For such qualified individuals the Franchise Fee is $40,000.

If an existing franchisee in good standing offers to buy an additional franchise, then the existing franchisee will receive a 50% discount off the then-current Franchise Fee. For instance, if the Franchise Fee at that time is $50,000, the discount equals ($25,000), so the franchisee would be obligated to pay $25,000 for the additional franchise.

Qualified existing painting contractors that decide to convert their business to a Klappenberger & Son franchise will be required to pay a franchise fee of $20,000. To qualify for that price the candidate must have at least two (2) years of experience operating a licensed painting contractor business, and during the last complete calendar year have attained at least $175,000 in gross revenue paid by property owners, property managers or general contractors (but not as a subcontractor for another painting company).

During our last fiscal year 2024, initial franchise fees (as described in this Item 5) ranged from $32,900 to $47,000. There was one discount of $32,900 which was afforded to an existing franchisee for the purchase of an additional territory.

The Franchise Fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you as set forth in the Franchise Agreement and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees. Other than the discounts described above, the Franchise Fee is uniformly calculated for all franchisees under this offering. Initial Franchise Fees are nonrefundable.

ITEM 6. OTHER FEES

Name of Fee	Amount Due	Date	Remarks
Royalty	6% of Gross Receipts up to $1,000,000 during calendar year; 4% of Gross Receipts exceeding $1,000,000 during calendar year, subject to the following minimum royalty payments during each complete calendar year: Year 1 = $11,000 Year 2 = $14,500 Year 3 = $18,000 Year 4 = $22,500 Years 5 - 10 = $30,000 each	Weekly, due by 12 p.m. on each Tuesday for the Gross Receipts for the prior week (Sunday through Saturday).	Any deficiency in payment of annual minimum will be due on May 15 of the following year. See definition of Gross Receipts in Note 1 below. See explanation of Mandatory Annual Minimum Royalty in Note 2 below. All periodic fees will be charged by electronic funds transfer (debit) from your bank account
Brand Development Fund	2.25% of Gross Receipts.	Same as Royalty	We must provide you with 90 days' notice of an increase in the percentage rate charged.
Local Advertising	$1,500	Monthly	For each calendar quarter, Franchisee must provide to Franchisor an accounting of Franchisee's expenditures on local advertising within thirty (30) days after the end of such calendar quarter.
Late Reporting Fee	$50 per month for each late report, up to $500 for any report not submitted	On demand	Applies to a failure to submit a weekly Gross Receipts report, the annual financial statement,

			or annual tax returns, and sales tax reports,
Additional Headquarters Training	$400 per day per trainee, plus trainees' travel and living expenses	Upon demand	We may charge this fee if we determine that remedial training at our training center is necessary due to your failure to comply with operating standards or if you ask us to provide management training to a proposed new Designated Manager of your franchise, other than a transferee. The business must remain under the operating control of a person who owns at least 50% of the Franchisee
On-Site Training	$400 per day, plus our trainer's travel and living expenses	On the 1st day of training	We may charge you this fee if we provide you training in your area of primary responsibility ("Territory") either at your request, or if we determine that you are not operating the franchise up to our standards and we decide to provide remedial training in your Territory.
Operation of the Franchised Business in Case of Your Default	$425 per day plus expenses	Upon demand	We may operate your Franchised Business if you fail to timely cure a curable default. (Section 21.4 of the Franchise Agreement) This fee would be in addition to any and all other

			remedies that we may have. See Note 3.
Noncompliance Fee	$200 per incident	Upon demand	For violations of operating requirements we may assess this fee (or any lesser amount) instead of holding you in default of the Franchise Agreement. We also may require you to make other payments to cure a default; for example, if you engage in direct marketing in another franchisee's APR, we may require you to pay that franchisee the expected profits that you received from providing services to customers in its APR.
Bookkeeping Fee	Varies according to the plan you select and your annual revenue amount. All plans include online Quickbooks	Monthly upon demand	See Item 8 for the chart to determine your monthly bookkeeping fee. See Note 4.
Customer Service	All costs incurred in assisting your dissatisfied customers	Upon demand	You must reimburse us if we determine it is necessary for us to provide refunds to customers of yours who are dissatisfied. (Section 9(viii). See Note 5.
Audit	All costs and expenses associated with audit, up to a maximum of $10,000	Upon demand	Costs payable only if the audit shows an understatement in amounts due of at least 3%. (Section 6.4 of the Franchise Agreement)

Insufficient Funds (NSF) Fee	$50 per insufficient funds episode	Upon demand	Charged if you fail to maintain sufficient funds in your designated bank account for us to withdraw the Royalty, and Brand Development Fund amounts due to us, such that we receive an insufficient funds notice from your bank.
Interest on Past Due Amounts	1.5% per month or the highest interest rate allowed by law, whichever is less	Upon demand	Applies to all overdue Royalty, Brand Development Fund and other amounts due to us. (Section 5.3 of the Franchise Agreement). Also applies to any amount due revealed by an audit. (Section 6.4 of the Franchise Agreement).
Insurance Policies	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies	Upon demand	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you. (Section 17.2 of the Franchise Agreement)
Renewal Fee	The greater of Two Thousand Dollars ($2,000.00) or five percent (5%) of our standard initial Franchise	Fee charged at the time of successor agreement execution 15 days from invoice	You will have the right to continue the franchise relationship for a period of 20 years from its beginning, on 10 year agreement terms.
Transfer Fee	80% of our then-current applicable initial franchise fee if	At the time of transfer	The Transfer Fee covers our cost to train the new

	the transferee does not own another Klappenberger & Son franchise; 50% of our then current initial franchise fee if transferee is an existing franchisee		controlling owner of the Business (50% or more owner), among other expenses and risks to us involved in accepting a new owner. If transfer is to an entity that you control, for your convenience and protection, then we only charge a service fee of $500 to cover our documentation cost. If you are not transferring control over your franchise (*i.e.,* a minority interest to a passive investor), then we will charge a $2,500 fee to cover our due diligence regarding the investor plus documentation cost.
Cost of Enforcement	All costs including attorneys' fees	Upon demand	You must reimburse us for all costs incurred as a result of your failure to fulfill any obligations under the Franchise Agreement. (Section 22.4 of the Franchise Agreement)
Indemnification	All damages and costs including attorneys' fees	Upon demand	You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the Franchised Business. (Section 21.2 of the Franchise Agreement)

Liquidated Damages	If we terminate the Franchise Agreement due to your default, we may require you to pay us liquidated damages in the amount that is the greater of either the minimum royalties that would become due to us over the succeeding two complete calendar years, or the average weekly royalties and monthly brand development fund contributions and other fees due during the preceding twenty-four (24) months times the lesser of twenty-four or the number of whole months remaining in the term.	15 days after the effective date of termination	This fee is in addition to your other duties if we terminate due to your default, as describe in Item 17(i) of this Disclosure Document, which include (but are not limited to) complying with the post-termination covenant not to compete.

All fees must be paid to us in U.S. dollars, regardless of the form in which the payment or benefit is paid or provided to you. Unless otherwise noted, all fees in this Item 6 are imposed by and are payable to us. No other fees or payments are to be paid to us, nor do we impose or collect any other fees or payments for any other third party. All fees are uniformly imposed, except as noted in the notes below, and are generally non-refundable.

NOTES

1. Gross Receipts. The term “Gross Receipts” means the aggregate of all revenue that you receive from providing painting and minor renovation services or other services or goods that we implement as a standard or optional part of Klappenberger & Son customer offerings as received from all sources whether by cash, check, debit, credit, barter transaction, virtual currency or otherwise, plus all proceeds from any business interruption insurance, but excluding all refunds made in good faith, any sales and equivalent taxes which are collected by you for or on behalf of any governmental taxing authority. (Section 1)

2. Mandatory Minimum Royalties. Your satisfaction of the mandatory minimum royalty payment for each year after your first will be measured based on payments made in each complete calendar

year. If you have not paid us the applicable minimum royalty at the conclusion of any calendar year, then we may invoice you the difference and then debit the amount due from your bank account on the day of the next scheduled periodic payments on or after May 15 of the succeeding year. If you decide not to execute a successor franchise agreement at the end of the term, then the mandatory minimum amount for "year 7" will be pro-rated for the portion of that calendar year ending on the expiration date, we may invoice you the difference, and that deficit must be immediately paid to us.

3. Fees to Operate Your Business. The Fee to operate your business in case of default varies depending on our expenses.

4. Bookkeeping Fees. We require all franchisees to utilize the service of a third-party bookkeeper who we have designated to manage each franchisee's accounting and financial records. On the first day of each month, the designated bookkeeping service shall invoice us directly for the succeeding month, for the entire franchise system. We shall invoice you directly and you shall pay your monthly bookkeeping service fee for the succeeding month to us according to the monthly plan option you select and your annual revenue amount. All plans for the third-party bookkeeper service include online Quickbooks. See, the description and Table in Item 8. Bookkeeping Fees are non-refundable.

5. Customer Service Fees. Franchisee must reimburse the Franchisor for the Franchisor's costs, including labor costs, material acquisition costs, and costs of driving, to service any of Franchisee's dissatisfied customers. Customer Service Fees are not uniform, because the total amount is dependent on the number of customer complaints that you have that we must resolve. Customer Service Fees are collected by us, payable to us, and are not refundable.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT - NEW FRANCHISEE

Names of Expenditures	Actual or Estimated Amounts For You	Method of Payment	When Due	To Whom Payment Is To Be Made
Franchise Fee	\$40,000 - \$47,000	Cashier's Check	Upon execution of the Franchise Agreement.	Us. See Note 1
Rent, Utilities and Security Deposit	(home office) n/a	n/a	n/a	n/a. See Note 2
Signage	\$93 - \$173	Business Check	Before Beginning Operations	Designated Supplier. See Note 3.
Service Vehicle	\$230 - \$8,780	As Arranged	As Needed	Lessor. See Note 4.

Signage for Vehicle	$1,000 - $2,500	As Arranged	Before Beginning Operations	Third Parties. See Note 5
Call Center	$100 - $450	As Arranged	Monthly	Third Party. See Note 6
Business Insurance	$3,000 - $7,000	As Arranged	Before Beginning Operations	Third Parties. See Note 7
Painting Equipment	$2,000 to $3,000	As Arranged	Before Beginning Operations	Designated Vendors and Third Parties.
Hand Tools	$600	As Arranged	Before Beginning Operations	Third Parties. See Note 8
Power Tools	$700	As Arranged	Before Beginning Operations	Third Parties. See Note 9
Uniforms and Printed Marketing Materials	$1,200 - $1,600	Cash, Credit Card or Debit	Before Beginning Operations	Designated Suppliers See Note 10
Office Equipment, Furniture and Supplies	$0 - $800	As Arranged	Before Beginning Operations	Third Parties. See Note 11
Computer Hardware & General Software	$0 - $2,400	As Arranged	Before Beginning Operations	Third Parties. See Note 12
Business Management Software	$2,500	Cash, Credit Card or Debit	Before Beginning Operations	Designated Vendor. See Note 13
Technology Support	$900	Monthly by Direct Debit	First 90 Days of Operation	Designated Vendor See Note 14
Initial Inventory	$0	Business check or credit card	Purchase As Needed After Beginning Operation	Approved Vendor
Payroll Processing	$0	As Arranged	First 90 Days Of Operation	Third Parties
Training Expenses	$0 - $1,500	Cash, credit cards, debit	Before Beginning Operations	Third Parties See Note 15

Launch Marketing	$8,000	As Arranged	Starting with Training and Continuing for 90 Days of Operation	Third Parties See Note 16
Necessary Licenses and Permits	$75 - $2,500	As Arranged	Before Beginning Operation	Licensing Authorities See Note 17
Professional Advisor Fees	$1,250 - $5,000	As Arranged	As Necessary	Third Parties See Note 18
Additional Funds (6 Months)	$25,000 - $50,000	As Arranged	As Necessary	You Determine See Note 19
TOTAL	$86,648 - $145,403			See Note 20

This estimate is for development of a Klappenberger & Son franchise as a completely new business, and not as a conversion of an existing painting contractor business. A conversion franchise will pay a lower initial franchise fee to us and likely will incur lower costs to transition the business to our brand.

NOTES

1. Franchise Fee. Individuals who have been honorably discharged from the military since calendar year 2002 may be eligible for a reduced initial franchise fee equal to $40,000.

2. Rent, Utilities and Security Deposits. You may operate the Business from your home office for as long as you deem it appropriate. Our affiliate operated the original Klappenberger & Son from our founders' home for more than two decades.

3. Signage. Our disclosure is for the cost of two types of yard signs that you will place at customer sites. The first sign assumes a cost of $ $18.52 per sign, minimum 5 signs, and the second sign assumes a cost of $17.22 per sign, maximum 10 signs at initial stage.

4. Service Vehicle. You must acquire use of full-sized cargo van with cargo management system that is no more than 5 years' old and is in very good condition as defined by Kelley Blue Book. For example, a Nissan Cargo Van NV 1500 with cargo management system costs approximately $40,000 with taxes if purchased new, and used Nissan vehicles in excellent condition can be purchased in the low $20,000s. Our high estimate assumes that you lease such a new vehicle while paying 10% of its total purchase price up front ($4,000) and that you pay for license and registration ($550), a navigation device ($100), a GPS tracking device ($40), 3 months of GPS tracking ($90) and 6 months of lease payments of $666.67 ($4,000). The low estimate assumes that you already own or have leased a suitable vehicle and therefore the estimate includes only the costs of the navigation and GPS devices and the 3 months of tracking services.

5. Signage for Vehicle. This is the estimated cost of applying the Klappenberger & Son name and logo on the cargo van.

6. Call Center. Our approved vendor operates and maintains a centralized customer call and administration center to respond to customer inquiries and provide scheduling assistance for the System. We require that you utilize this approved vendor exclusively. We may modify or phase out this service at our discretion, provided that we only may charge this fee when providing this service.

7. Business Insurance. The figures in the chart show estimated first 6 month of premiums for general business liability, vehicle, workers compensation and "umbrella" excess insurance coverage.

8. Hand Tools. Paint brushes, rollers and other traditional "by hand" painting tools. Low estimate assumes that you have sufficient amounts of these materials to begin serving your initial volume of customers.

9. Power Tools. Items used for carpentry and general handyman services, such as drill, Miter and table sauces, nail gun, etc. Low end assumes that you have these items for personal home improvement and maintenance.

10. Uniforms and Printed Marketing Materials Printed marketing materials may include brochures and pamphlets. Low end assumes that you do not have as many employees working in your franchise location.

11. Office Equipment, Furniture and Supplies. The office equipment you must purchase and maintain includes a dedicated business telephone line and miscellaneous office supplies. Furniture is desk, chair and file cabinet. The low estimate assumes little or no expense for equipping office with a desk and office chair, and that you already have a smartphone; high estimate assumes that all items must be purchased at retail.

12. Computer Hardware & Software. Laptop or desktop computer, multi-function printer/copier/scanner, high-speed Internet connection and router are required. Software includes Windows 11 Pro or later operating system and Microsoft Office 2021 or later (or an active subscription to Microsoft 365). Low end assumes that you already have all such items.

13. Business Management Software. These are the set-up fees and three months' worth of access fees for the software that we require you to use for scheduling, estimating, accounting and other core business functions.

14. Technology Support. This is the first three months' worth of service from the technology support provider that we require you to use.

15. Training Expenses. We do not charge a fee for initial training of you and the manager of your franchise, separate from the Franchise Fee, but you are responsible for transportation and expenses

for meals and lodging of you and your employees while attending training. The estimate is for two people attending training by Webinar and/or in your territory.. Although not required, you may elect to shadow an existing franchisee for two days in their territory which would be in addition to the training time described in Item 11. The amount of these costs will vary depending upon a number of factors, including travel distances from the state of your residence and your choice as to lodging and meals.

16. Launch Marketing. This line item includes our Grand Opening marketing requirement that you spend $8,000 starting with training. The $8,000 cost is broken down as follows: $2,500 each month for the first three months of the term for pay per click/Google Adwords and other leads advertising; and $500 in other advertising (which can include fees to join business networking groups, such as BNI, or your local Chamber of Commerce), and to support local community causes. After the first 6 months, you must spend at least $1,500 per month in local advertising which should focus on Internet promotion (including social media) and public relations activities.

17. Necessary Licenses and Permits. The high estimate assumes that you must form a business entity in your state and obtain a home improvement or “contractor’s” license. The low estimate assumes that you have those items and your only cost is to file a trade name or doing business as registration concerning your company’s association with Klappenberger & Son.

18. Professional Fees. The estimate is for employing an attorney, accountant, and other consultants to help you establish a corporation or other entity to operate the business and, if you deem it appropriate, to evaluate our franchise offering. Your actual costs may vary substantially, depending on the degree to which you rely upon your advisors.

19. Additional Funds. You will need capital to support ongoing expenses, such as payroll, vehicle fuel and maintenance, and telecommunications services fees (cellular and in-office), if these costs are not covered by sales revenue during the start-up phase, which we estimate to be 3 months. This excludes a salary for the franchisee.

20. Total. Unless otherwise specifically noted, this table reflects your costs of opening an Klappenberger & Son business as a new business and not as an addition to an existing related business, such as mechanical contracting or other home improvements. Your costs may be lower if you are adding Klappenberger & Son to an existing related business. In compiling this chart, we relied on the industry experience and the experience of our owners and affiliates in owning and operating businesses similar to the one offered in this disclosure document. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise.

We do not offer direct financing to you for any item. All or part of your investment may be financed by a bank or other lending institution on terms we cannot estimate. Unless otherwise stated, all costs listed in the Item 7 table above are nonrefundable.

YOUR ESTIMATED INITIAL INVESTMENT - CONVERSION FRANCHISEE

Names of Expenditures	Actual or Estimated Amounts For You	Method of Payment	When Due	To Whom Payment Is To Be Made
Conversion Franchise Fee (qualified existing contractors – see Item 5)	$20,000	Cashier's Check	Upon execution of the Franchise Agreement	Us, See Note 1
Rent, Utilities and Security Deposit	(home office) n/a	n/a	n/a	n/a
Signage	$93 - $173	Business Check	Before Beginning Operations	Designated Supplier See Note 2
Service Vehicle	$230 - $8,780	As Arranged	As Needed	Lessor. See Note 3
Signage for Vehicle	$1,000 - $2,500	As Arranged	Before Beginning Operations	Third Parties. See Note 4
Call Center	$100 - $450	As Arranged	Monthly	Third Party. See Note 5
Business Insurance	$3,000 - $7,000	As Arranged	Before Beginning Operations	Third Parties. See Note 6
Painting Equipment	$0 - $4,000	As Arranged	Before Beginning Operations	Designated Vendors and Third Parties
Hand Tools	$0 - $400	As Arranged	As Needed Before Beginning Operations	Third Parties. See Note 7
Power Tools	$0 - $1,500	As Arranged	As Needed Before Beginning Operations	Third Parties. See Note 8
Uniforms and Printed Marketing Materials	$1,200 - $1,600	Cash, Credit Card or Debit	Before Beginning Operations	Designated Suppliers, See Note 9

Office Equipment, Furniture and Supplies	$0 - $800	As Arranged	As Needed Before Beginning Operations	Third Parties. See Note 10
Computer Hardware & General Software	$0 - $2,400	As Arranged	As Needed - Before Beginning Operations	Third Parties. See Note 11
Business Management Software	$2,500 - $5,820	Cash, Credit Card or Debit	Before Beginning Operations	Designated Vendor. See Note 12
Technology Support	$900	Monthly by Direct Debit	First 90 Days of Operation	Designated Vendor Designated Vendor. See Note 13
Initial Inventory	$0	Business Check or Credit Card	As Needed Before Beginning Operations	Approved Vendor
Payroll Processing	$0	As Arranged	First 90 Days Of Operation	Third Parties
Training Expenses	$0 - $1,500	Cash, credit cards, debit	Before Beginning Operations	Third Parties. See Note 14
Launch Marketing	$8,000	As Arranged	Starting with Training and Continuing for 90 Days of Operation	Third Parties. See Note 15
Necessary Licenses and Permits	$75 - $2,500	As Arranged	As Needed Before Beginning Operation	Licensing Authorities. See Note 16
Professional Advisor Fees	$1,250 - $5,000	As Arranged	As Necessary	Third Parties. See Note 17
Additional Funds (6 months)	$25,000 - $50,000	As Arranged	As Necessary	You Determine. See Note 18
- TOTAL	$63,348 - $123,323			See Note 19.

This estimate is for development of a Klappenberger & Son franchise as a conversion of an existing painting contractor business. A conversion franchise will pay a lower initial franchise fee to us and likely will incur lower costs to transition the business to our brand.

NOTES

1. Rent, Utilities and Security Deposits. You may operate the Business from your home office for as long as you deem it appropriate. Our affiliate operated the original Klappenberger & Son from our founders' home for more than two decades.

2. Signage. Our disclosure is for the cost of two types of yard signs that you will place at customer sites. The first sign assumes a cost of $ 18.52 per sign, minimum 5 signs. The second sign assumes a cost of $17.22 per sign, maximum 10 signs at initial stage.

3. Service Vehicle. You must acquire use of full-sized cargo van with cargo management system that is no more than 5 years' old and is in very good condition as defined by Kelley Blue Book. For example, a Nissan Cargo Van NV 1500 with cargo management system costs approximately $40,000 with taxes if purchased new, and used Nissan vehicles in excellent condition can be purchased in the low $20,000s. Our high estimate assumes that you lease such a new vehicle while paying 10% of its total purchase price up front ($ 4,000) and that you pay for license and registration ($550), a navigation device ($100), a GPS tracking device ($40), 3 months of GPS tracking ($90) and 3 months of lease payments of $ 666.67 ($ 4,000). The low estimate assumes that you already own or have leased a suitable vehicle and therefore the estimate includes only the costs of the navigation and GPS devices and the 3 months of tracking services.

4. Signage for Vehicle. This is the estimated cost of applying the Klappenberger & Son name and logo on the cargo van.

5. Call Center. Our approved vendor operates and maintains a centralized customer call and administration center to respond to customer inquiries and provide scheduling assistance for the System. We require that you utilize this approved vendor exclusively. You may modify or phase out this service at our discretion, provided that we only may charge this fee when providing this service.

6. Business Insurance. The figures in the chart show estimated first 6 month of premiums for general business liability, vehicle, workers compensation and "umbrella" excess insurance coverage.

7. Hand Tools. Paint brushes, rollers and other traditional "by hand" painting tools. Low estimate assumes that you have sufficient amounts of these materials to begin serving your initial volume of customers.

8. Power Tools. Items used for carpentry and general handyman services, such as drill, Miter and table sauces, nail gun, etc. Low end assumes that you have these items for personal home improvement and maintenance.

9. Uniforms and Printed Marketing Materials Printed marketing materials may include brochures and pamphlets. Low end assumes that you do not have as many employees working in your franchise location.

10. Office Equipment, Furniture and Supplies. The office equipment you must purchase and maintain includes a dedicated business telephone line and miscellaneous office supplies. Furniture is desk, chair and file cabinet. The low estimate assumes that you have these items from your existing business; high estimate assumes that all items must be purchased at retail.

11. Computer Hardware & Software. Laptop or desktop computer, multi-function printer/copier/scanner, high-speed Internet connection and router are required. Software includes Microsoft Windows 10 Pro Version 22H2 or later operating system and Microsoft Office 2021 or later (or an active subscription to Microsoft 365). Low end assumes that you already have all such items.

12. Business Management Software. These are the set-up fees and three months' worth of access fees for the software that we require you to use for scheduling, estimating, accounting and other core business functions.

13. Technology Support. This is the first three months' worth of service from the technology support provider that we require you to use.

14. Training Expenses. We do not charge a fee for initial training of you and the manager of your franchise, separate from the Franchise Fee, but you are responsible for transportation and expenses for meals and lodging of you and your employees while attending training. The estimate is for two people attending training by Webinar and/or in your territory. Although not required, you may elect to shadow an existing franchisee for two days in their territory which would be in addition to the training time described in Item 11. The amount of these costs will vary depending upon a number of factors, including travel distances from the state of your residence and your choice as to lodging and meals.

15. Launch Marketing. This line item includes our Grand Opening marketing requirement that you spend $8,000 starting with training. The $8,000 cost is broken down as follows: $2,500 each month for the first three months of the term for pay per click advertising/Google Adwords and other leads advertising; and $500 in other advertising (which can include fees to join business networking groups, such as BNI, or your local Chamber of Commerce), and to support local community causes. After the first 6 months, you must spend at least $1,500 per month in local advertising which should focus on Internet promotion (including social media) and public relations activities.

16. Necessary Licenses and Permits. The high estimate assumes that you must form a business entity in your state and obtain a home improvement or "contractor's" license. The low estimate assumes that you have those items and your only cost is to file a trade name or doing business as registration concerning your company's association with Klappenberger & Son.

17. Professional Fees. The estimate is for employing an attorney, accountant, and other consultants to help you establish a corporation or other entity to operate the business and, if you deem it appropriate, to evaluate our franchise offering. Your actual costs may vary substantially, depending on the degree to which you rely upon your advisors.

18. Additional Funds. You will need capital to support ongoing expenses, such as payroll, vehicle fuel and maintenance, and telecommunications services fees (cellular and in-office), if these costs are not covered by sales revenue during the start-up phase, which we estimate to be 3 months. This excludes a salary for the franchisee.

19. Total. Unless otherwise specifically noted, this table reflects your costs of opening an Klappenberger & Son business as a new business and not as an addition to an existing related business, such as mechanical contracting or other home improvements. Your costs may be lower if you are adding Klappenberger & Son to an existing related business. In compiling this chart, we relied on the industry experience and the experience of our owners and affiliates in owning and operating businesses similar to the one offered in this disclosure document. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise.

We do not offer direct financing to you for any item. All or part of your investment may be financed by a bank or other lending institution on terms we cannot estimate. Unless otherwise stated, all costs listed in the Item 7 table above are nonrefundable.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as indicated below, you are not required to purchase or lease products or services from us or from suppliers approved by us or under our specifications.

Approved Suppliers/Standards and Specifications

You must equip, maintain and operate the Franchised Business according to our standards and specifications. All equipment, vehicles and materials used in operating your Franchised Business, as well as the payroll processing and bookkeeping companies that you use and the insurance that you purchase, must meet our specifications and quality standards and, if required by us, shall be purchased only from an approved supplier, which may be us, an affiliate, or another supplier we designate. We will provide, in the Manual or by other written or electronic form, a list of items you will need to purchase for resale or to operate your Franchised Business and, if required, a list of one or more Designated Suppliers for some or all of these items which we may revise from time to time. Our specifications may include minimum standards for performance, design and quality. We formulate and modify our specifications and standards for products and services based on the industry knowledge and experience of our officers. Neither us nor persons affiliated with us are currently approved supplier of goods and services to a Klappenberger & Son business, although one or more of the officers may have such an interest in the future.

We will require you to utilize an estimating and scheduling software program and online accounting software that we designate; we currently require Intuit Quick Books online accounting software. You will license these software products directly from their sellers, but we will have third party administrative access to your business management software account. We also will require you to use the technology support services of a vendor who we designate. See Item 11 below on pages 28 and 29 of this document for a further description of our technology requirements.

We currently require all franchisees to utilize ADP for payroll processing and human resources compliance purposes. We reserve the right to change the required provider of these services or to seek designating a provider, at our sole discretion.

We have four brands of paint that we would prefer you to purchase for use in providing painting services and which are therefore approved supplies. However, we will not unreasonably withhold approval of other brands or suppliers if you demonstrate the need to use that brand to satisfy customer requirements or requests.

We have a recommended supplier of uniforms, lawn signs and printed material containing the Klappenberger & Son logo, and you must purchase those requirements from that vendor or another one who we approve to print items containing our logo.

We require all franchisees to utilize the service of a third-party bookkeeper who we have designated to manage each franchisee's accounting and financial records. You must use a business and merchant bank that allows access by the third-party bookkeeper to view and print your transactions. On the first day of each month, the designated bookkeeping service shall invoice us directly for the succeeding month, for the entire franchise system. We shall invoice you directly and you shall pay your monthly bookkeeping service fee for the succeeding month to us according to the monthly plan option that you select (Primer+, Satin, or High-Gloss), and your annual revenue amount, except that we will retain $15 per month for processing. All plans for the third-party bookkeeper service include online Quickbooks. At this time, the bookkeeping fee is as follows:

Annual Revenue up to:	Primer +	Satin	High-Gloss
$ 250,000	525	695	1295
$ 500,000	795	995	1395
$ 750,000	995	1295	1595
$ 1,000,000	1295	1495	1995
$ 2,000,000	1995	2195	2795
$ 3,000,000	—	2495	3195
$ 4,000,000	—	3395	3795
$ 5,000,000	—	—	4195
$ 6,000,000	—	—	4995
$ 7,000,000	—	—	5895
$ 8,000,000	—	—	6695
$ 9,000,000	—	—	7495

In the year ending December 31, 2024, we collected $82,867 in bookkeeping service fees and $1,695 in processing fees from franchisees. We paid a total of $84,065 to the third-party bookkeeper, for a net amount of $497. In 2025 and future years, we require all new franchisees to pay all initial and ongoing costs for the bookkeeping service, plus the $15 per month administration fee.

We may terminate or change this bookkeeping service in the future, including hiring a different service provider, and the fees stated above may change from time to time.

If you would like to use components from alternative suppliers, or any other item or service in establishing or operating the Franchised Business that we have not approved (for items or services that require supplier approval), you must first send us sufficient information, specifications and/or samples for us to determine whether the item or service complies with our standards and specifications, in the manner stated in our manual. There is no charge for us to review your request for approval of an item, service, or supplier. We will decide within 10 days after receiving the required information whether you may purchase or lease such items or services or from such supplier. We apply the following and other general criteria in deciding whether to approve a proposed supplier: the effect that approving such a request may have on our business interests and on the franchise system's ability to negotiate favorable group pricing and other terms for the item; the supplier's credit worthiness; its ability to provide sufficient quantity of product; quality of products and/or services at competitive prices; production and delivery capability; and its dependability and general reputation. We are not obligated to approve any request for approval of an alternative supplier.

From time to time, we may review our approval of any item, service or supplier. We will notify you, by email or in writing, if we revoke our approval of an item, service or supplier, and you must immediately stop purchasing disapproved items, or services, or must immediately stop purchasing from a disapproved supplier. Unless no supplier has been designated or approved, you must purchase all products and services for your Franchised Business only from suppliers we have designated or approved, including from alternate suppliers if we disapprove a supplier from whom you have previously purchased.

One of our primary methods of communication with franchisees is through announcements or emails we may periodically publish. You are responsible for knowing all of the information contained in the emails or announcements and complying with any standards and specifications provided within them. We may establish and change the standards and specifications for the operation of your Business through written notices and emails described above.

To maintain uniform quality standards all equipment, products, supplies, signage, advertising, trademark usage, trade dress and services and other supplies and services you use to operate the Franchised Business must meet our standards and specifications. In addition, you must participate in and cooperate with promotional programs, gift certificate or gift card programs we may establish and follow our requirements and guidelines.

Approximately 70% of your initial purchases for goods or services, inclusive of the Franchise Fee, must be made from us, approved suppliers or otherwise in accordance with our standards and specifications. Approximately 40% of your ongoing purchases of goods or services for operation of the business (inclusive of royalties and advertising) will be from us, approved suppliers or according to our standards and specifications.

Insurance

You must purchase and maintain in effect during the term of the Franchise Agreement the type and amount of insurance specified in Section 17.2 of the Franchise Agreement in addition to any other insurance that may be required by applicable law and any lender or lessor. Your insurance policies must name us as an additional insured and/or loss payee. We do not derive revenue as a result of your purchase of insurance. To satisfy our current requirements, you must maintain the following insurance policies and minimum coverage amounts:

- Commercial general liability coverage. Comprehensive coverage $1 million per occurrence, $2 million aggregate limit, including $1,000,000 Personal & Advertising Injury, $100,000 Fire Legal Liability, and $5,000 Medical Payments,
- Property coverage. All perils coverage to personal property contained in the franchisee's Klappenberger & Son business.
- Umbrella liability coverage. $1 million each occurrence and $1 million aggregate limit.
- Vehicle coverage. Coverage for vehicles used in the franchised business or owned by the franchised business, $1 million per occurrence. The franchisee should also be required to follow state requirements for underinsured or uninsured coverage.
- Worker's Compensation. $500,000.

You may have to purchase additional coverage, either in dollar limits or types, if required by your state's laws.

Miscellaneous

We have negotiated distribution and supply agreements, commissions, and group rates for purchases of certain inventory and supplies necessary for the operation of the Franchised Business, for the benefit of our franchisees and our self, including a non-exclusive, non-mandatory arrangement with a well-known paint manufacturer.

As of the end of our last fiscal year, we have not received any revenue or other material consideration from third-party suppliers as a result of purchases made by franchisees. However, we reserve the right to require third-party suppliers to pay us fees or other consideration for the privilege of being able to supply products or services to our franchisees. Examples of such potential payments will be flat annual fees, a percentage of the supplier's sales to franchisees, or additional discounts on products provided to Klappenberger & Son businesses operated by us or our affiliates.

We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional Klappenberger & Son businesses) based on whether you purchase through the sources we designate or approve; however, purchases of unapproved products or purchases from unapproved suppliers in violation of the Franchise Agreement will entitle us, among other things, to terminate the Franchise Agreement.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

Obligation	**Section In The Franchise Agreement**	**ITEM In the Disclosure Document**
a. Site selection and acquisition/lease	Section 2.1	ITEM 11
b. Pre-opening purchases/leases	Sections 9(iii), 9(ix) and 9(x)	ITEMS 7 and 8
c. Site development and other pre-opening requirements	Section 2.1	ITEMS 6, 7, 11
d. Initial and ongoing training	Sections 13.1 through 13.4	ITEMS 6, 7 and 11
e. Opening Sections	1, 9(ii) and 21.3(i)(a)	ITEMS 7 and 11
f. Fees	Section 4	ITEMS 5, 6 and 7
g. Compliance with standards and policies/Operating Manual	Sections 6, 7, 8, 9, 10	ITEMS 8 and 16
h. Trademarks and proprietary information	Sections 7, 14 and 20	ITEMS 13 and 14
i. Restrictions on products/services offered	Sections 9(i), 9(xi), 9(xii)	ITEMS 8 and 16
j. Customer service requirements	Sections 9(viii)	ITEM 16
k. Territorial development and sales quotas	n/a	ITEM 12
l. Ongoing product/service purchases	Section 9(ix)	ITEMS 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 9(iii), (iv), (x)	ITEM 6
n. Insurance	Section 17.2	ITEMS 6, 7 and 8
o. Advertising	Section 11	ITEMS 6, 7 and 11
p. Indemnification	Section 17.1	ITEM 6
q. Owner's participation/ management/staffing	Sections 9(ii), 18.5	ITEM 15
r. Records and reports	Section 6	ITEM 11
s. Inspections and audits	Section 6.4	ITEMS 6, 11 and 13
t. Transfer	Sections 18 and 19	ITEM 17
u. Renewal	Section 3.2	ITEM 17

v. Post-termination obligations	Section 22	ITEM 17
w. Non-competition covenants	Section 20	ITEM 17
x. Dispute resolution	Sections 28 and 29	ITEM 17
y. Personal Guaranty	Section 23	ITEM 15

ITEM 10. FINANCING

Neither we nor any agent or affiliate offers direct or indirect financing to you, guarantees any note, lease or obligation of yours, or has any practice or intent to sell, assign or discount to a third party all or any part of any financing arrangement of yours.

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

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

A. Our Pre-Opening Obligations to You

Before you open your Franchised Business, we will:

1. Provide approximately 5 days of training at our Horry County, South Carolina headquarters, or at different locations and formats within Franchisor's discretion, as described below (Section 13.1 of the Franchise Agreement). We will also arrange for you to participate in 2 days' of training at a Klappenberger & Son Business of our choice and in our discretion. The entire training period will be substantially shorter for conversion franchisees, and if you are a conversion candidate then you and we will agree on the scope of your training before signing the Franchise Agreement.

2. Provide you with access to the Klappenberger & Son Business Operations Manual, which includes written specifications for required equipment and supplies and the names and contact information for any approved or designated suppliers of such items. (Section 7 of the Franchise Agreement) The Manual is confidential and remains our property on loan to you while you remain a franchisee. We may modify the Manual from time to time, but the modification will not alter your status and rights under the Franchise Agreement. Our current Manual contains 284 pages. We have included a copy of the Table of Contents of our Manual as Exhibit E to this Franchise Disclosure Document.

3. Assist you with the Initial Launch Marketing for your Klappenberger & Son business, as described below under the heading "Initial Launch Marketing". (Section 11.1 of the Franchise Agreement)

4. Provide you with online access to the Klappenberger & Son Training Video Library, which currently includes 60 training videos.

5. Provide you access to downloadable Price Guides for Painters and Handymen, which include project times, suggested wages for hundreds of projects, and an estimating Excel spreadsheet for calculating both interior and exterior painting.

B. Typical Length of Time Before Operation

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of a Klappenberger & Son business is 60 to 90 days. Factors that may affect your beginning of operations include obtaining business insurance and financing for the vehicle purchase; completing our training program; obtaining required business licensing, including home improvement contractor licensing; and hiring an initial crew of employees and/or identifying acceptable subcontractors. If You are a conversion franchisee You are required to begin operating as Klappenberger & Son within 60 days of signing the franchise agreement; otherwise, you are required to begin operating the Franchised Business within 120 days after signing the Franchise Agreement. (Section 1 of the Franchise Agreement). But we do not provide assistance in selecting any site, because you may operate the franchised business out of your home.

It is our expectation that you will operate the business from your home. However, you must obtain our advance approval of your proposed site before you sign a lease for that location or a contract to purchase it, and you must provide us with the physical address of your principal location as well as any satellite or deployment locations where you regularly conduct business. In deciding whether or not to approve the proposed site we will analyze its proximity to major roads and accessibility to population centers, as well as the major economic terms of the lease or purchase contract. If you lease an office outside of your home, we may require that the lease for your location give us the right (but not the obligation) to assume your leasehold rights if you default under the lease or the franchise agreement is terminated. (Section 2.1 of the Franchise Agreement)

C. Our Obligations During the Operation of The Franchised Business

After the opening of the Franchised Business, we will:

1. From time to time, advise and offer guidance to you in person, by telephone, email, newsletters and other methods. Our guidance is based on our experience in operating business involved in the painting and minor renovation services business. Such advice and guidance will relate to operational methods, accounting procedures, pricing guidelines and marketing sales and leadership strategies.

2. We will visit your Territory in person periodically, and not less than once annually during the first 2 years of the Franchise Agreement. (Section 12 of the Franchise Agreement)

3. At our discretion, visits to the Territory (including customer job sites) for the purposes of monitoring your compliance with our standards in your operation of the Franchised Business. (Section 6.4)

4. If you request that we do so, or we deem it necessary due to your lack of compliance with our operating standards, provide you with in-person consultation on our operational methods and with ongoing training within your Protected Territory, in exchange for payment of $400 per day per trainer, plus our travel expenses. (Section 12)

5. Make available to you changes and additions to the System and the Manual as generally made available to all franchisees. (Section 8.1)

6. Review all advertising materials you propose to use for Local Advertising, and either approve, reject, or instruct on changes needed to obtain approval of the proposed materials. (Section 11.4 of the Franchise Agreement)

7. Administer the Brand Development Fund (Section 11.2 of the Franchise Agreement).

8. At our discretion, provide additional group training open to all franchisees, either in person or through Webinars, as described on page 31 below under the "Training" heading.

D. Advertising and Promotion

We are not obligated to conduct or assist you with advertising, unless specifically identified in the following section. We are not obligated to spend any particular amount of money on advertising in your territory.

Initial Launch Marketing

You must spend at least $8,000 on advertising and promoting the Franchised Business when you start training and continuing for 90 days thereafter. We will provide you with guidance for conducting Grand Opening Advertising, and we will review and approve the materials you use in your Grand Opening Advertising. (Section 11.1 of the Franchise Agreement)

Local Marketing

After your initial launch, you must spend at least $1,500 per month on advertising, promotions and public relations of the Franchised Business directed towards potential customers and referral sources located in or near your Area of Primary Responsibility ("Local Marketing"). You must provide us, within 30 days after the end of each calendar quarter, documenting your Local Advertising during the quarter just ended. You will pay for your advertisements and promotions directly, but we will provide you with general marketing guidelines and may use the Brand Development Fund contributions to prepare local advertising templates. We may require that you use vendors that we designate for your local marketing; for example, we have designated an exclusive provider of social media support and all social media website activity to promote the Franchised Business. All such activities must be conducted through that vendor. You must submit for our approval all proposed advertising materials at least 14 days prior to any publication or run date. We will make reasonable efforts to provide notice of approval or disapproval within 5 days from the date we receive proposed advertisements, but if we do not respond to your request then you will be able to consider the materials approved for use. However, you must discontinue the use of any advertising within five (5) days after we disapprove its use. (Section 11.4 of the Franchise Agreement)

Brand Development Fund

You must contribute 2.25% of your Gross Revenue to our Brand Development Fund for use to increase the patronage of Klappenberger & Son painting and minor renovation services by consumers, which payment is measured and paid at the same time as royalties. (Section 4.4 of the Franchise Agreement) We administer the Brand Development Fund at our sole discretion; however, we will have a financial statement of the Brand Development Fund prepared each year and we will provide you with a copy if you request it. We may require that the annual financial statement be audited by an independent certified public accountant at the expense of the Brand Development Fund. Our affiliates that operate Klappenberger & Son businesses will make contributions to the Brand Development Fund on the same basis required of franchisees. The Brand Development Fund is not a trust and we assume no fiduciary duty in administering the Brand Development Fund.

The Brand Development Fund shall be used for any purpose that we decide, in our reasonable business judgment, is necessary or appropriate to improve customer patronage of Klappenberger & Son businesses as a whole. We will control the creative concepts and the materials and media to be used, and we will determine the placement and allocation of advertisements and promotions. We may use the Brand Development Fund Contributions to cover the costs of preparing and conducting television, radio, Internet, social media, magazine and/or newspaper advertising campaigns and other public relations activities; developing and/or hosting an Internet web page of similar activities; employing advertising agencies to assist therein; providing promotional brochures; and providing other marketing materials to franchisees. We also may use Brand Development Fund Contributions to conduct consumer-oriented market research; facilitate referral relationships with key referral sources; or conduct customer satisfaction surveys. We are not obligated to spend any amount from the Brand Development Fund on advertising or promotion in your Area of Primary Responsibility.

We do not currently have an advertising council composed of franchisees that advises us on system advertising. Once 10 or more franchises are established and operating, we may require you and our other franchisees to form an advisory board to provide advice and counsel regarding our use of Brand Development Fund Contributions. If we have an advisory board, then we will appoint all members of the advisory board. The advisory board will function in an advisory capacity only and will not exercise authority over the Brand Development Fund or over us. When such a Council is formed, Franchisee must participate in council-related activities, pay any dues assessed for the administration of that program, and pay Franchisee's own expenses associated with participating in Council activities.

During 2024, we collected $92,542 and spent $100,643 for the following purposes: website design, marketing, materials design & branding (65%), search engine optimization of that website (24%), admin and estimating software licensing fees (11%). The Brand Development Fund is maintained in a separate account from our funds and are not used for any of our general operating expenses, except for our reasonable administrative costs and overhead related to the administration of the Brand Development Fund.

We are not required to use all contributions in the fiscal (calendar) year they are made. If any contributions are not used during the year in which they are contributed to the Brand Development Fund they will be maintained in the Fund for use during the following year. We intend for the Brand Development Fund to be perpetual once it is established, but we have the right to terminate it if necessary. We will not terminate the Brand Development Fund until all contributions and earnings have been used for advertising and promotional purposes or have been returned to our franchisees on a pro rata basis. We will not use Brand Development Fund Contributions for advertising that is principally a solicitation for the sale of franchises.

E. Computer/Point-of Sale System

To promote uniformity and quality in your operations and the services you render, we require you to use designated estimating and scheduling software (which you will license from our approved third party vendor for $105 per quarter), and Intuit Quick Books online accounting software which is provided by our approved bookkeeping vendor included in your individual account monthly fee. . Each option includes some accountant access. The functions of these software products include, among others:

- Estimating, e-bids and close rates
- Accounting & Job Costing

You must use only "@Klappenbergerandson" e-mail addresses for your Franchised Business. The cost of these e-mail addresses are currently $18 per month per user, and provided through our Google Business plan paid for through the Brand Development Fund.

In addition, for the first 3 months after you open your franchise, you must use a vendor that we designate to provide technology support and service to your business, after which point you may decide whether or not to continue using that vendor or any other technology support provider.

The cost for licensing, installation and training, as well as access during training and during the first 3 months of operating your Franchised Business, is $3,100. We will be able to independently access all information that you store through the business management software, for which we will have administrative access rights. (Section 10 of the Franchise Agreement)

We will require you to purchase and maintain at least one desktop or laptop computer that has sufficient computing power to operate the software programs identified above, plus Windows 11 Pro or later operating system and Microsoft Office 2021 (or an active subscription to Microsoft 365), or later (for word processing, spreadsheets and similar office functions), and maintain an active Internet connection and use of an Internet web browser such as Microsoft Edge, Mozilla Firefox, or Google Chrome. In addition, you must obtain and maintain smartphone for in-field communications, and you must have telecommunications services contract allowing virtually continuous data connectivity. (Section 10.1 of the Franchise Agreement). We do not otherwise have any standards or specifications for the type of hardware, ancillary software or cellular data provider that you use.

The technology services contract identified above will provide maintenance and support for your computers (both in-office and mobile), and computer operating system software patches are typically provided without separate charge. You will need to periodically purchase newer versions of Microsoft Office. In addition, you will need to pay the costs to purchase replacement computing devices or components thereof from time to time. We estimate that you will need to spend approximately $2,500 - $3,500 every three years on hardware upgrades, updates and replacement equipment.

F. Training

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job	Training Location
History of Klappenberger & Son	30 minutes	n/a	Webinar
Use of the Manual	1 hour		Webinar
Estimating	18 hours	8 hours	Webinar / Your Territory
Product Knowledge	12 hours	3 hours	Webinar /Your Territory
Personnel Growth	8 hours	0 hours	Webinar & Your Territory
Advertising / Marketing	4 hours	1 hour	Webinar / Your Territory
Management Procedures	15 hours	2 hours	Webinar / Your Territory
Franchise Reporting Requirements	30 minutes	1 hour	Webinar
Accounting/Record keeping	5 hours	1 hour	Third party vendor Webinar
Hiring	4 hours	6 hours	Webinar / Your Territory
Franchisee Territory Growth Strategies	18 hours	1 hour	Webinar / Your Territory
Sales Procedures	24 hours	8 hours	Webinar / Your Territory

Creating a Customer Base	8 hours	20 hours	Webinar/ Your Territory
Interviewing Painters/Carpenters	0 hours	3 hours	Your Territory
Safety Procedures	1 hour	1 hour	Webinar / Your Territory
Totals	119	55	

Prior to beginning the training described above, you are required to:

1. Read the Klappenberger & Son Operations Manual (4 hours' estimated time);

2. Watch training videos or audio recordings (4 hours' estimated time); and

3. If you are not experienced in using online QuickBooks, attend and complete a beginners' training class, which typically takes about 2 days in a classroom or 12 hours of on-line training. Our approved bookkeeping vendor has learning tutorials available.

You or your Principal Owner (if you are a business entity) must attend and complete our initial training program to our satisfaction. (Your Principal Owner will be the person who will operate the Business on a daily basis and must own at least 50% of the equity in the Franchisee business entity.) In addition, another person who will participate in the operation of the Franchised Business may attend training at the same time as the Principal Owner without paying any additional fee to us. Although the tuition for initial training is included in the Franchise Fee, you are responsible for all costs in attending training, such as travel, meals, accommodations and employees' salaries (if applicable). If you replace your Principal Owner then that new person must attend and complete our training program to our satisfaction; typically, this will be in the context of a transfer of the franchise rights and that cost would be covered by the Transfer Fee, as described in Items 6 and 17 of this Disclosure Document. You are responsible for training your own employees and other management personnel. (Section 14 of the Franchise Agreement)

Under certain circumstances we may permit you to appoint an employee as your Designated Manager, even if that person does not own equity in the Franchisee entity. (Those circumstances are address in Item 15 of this Disclosure Document.) If we permit you to do so, then we will charge you a fee of $250 per day for your Designated Manager to attend headquarters training, and you will be responsible for that person's travel and lodging responses, salary, and any other expense reimbursement agreed to by you and that person.

Our primary instructors will be David Klappenberger and Jean Klappenberger. Mr. Klappenberger was the Chief Executive Officer of our affiliate Klappenberger & Son LLC (and its predecessor entities) from founding in 1989 until its dissolution in 2019, and he was actively involved in managing all phases of its operation. Mrs. Klappenberger worked full time as a Member of our affiliate Klappenberger & Son, LLC from January 2013 until April 2019, and from

1995 until 2012 worked as an accountant at various large companies and in a private certified public accountant practice.

Our Operations Manual will be used as our primary instructional material in the training program, along with the third party software programs that you will use to run the business.

We are not obligated to provide any additional training unless you request it and pay us $400 per day per trainer, plus our trainer's travel and lodging expenses. However, if we determine that remedial training is necessary due to your failure to comply with our standards, we may require that your Principal Owner or Designated Manager attend refresher training at our headquarters, or we may provide remedial training in your APR and require you to pay us the fee stated above, plus expenses.

We also may require your Principal Owner or Designated Manager (if approved) to complete up to 5 days of ongoing training annually that either we provide or that you receive from an approved third-party provider, which may include: a Klappenberger & Son annual meeting or convention, sales conferences, trade shows, webinars, regional franchisee meetings, trade association seminars or conventions, or training designated to maintain required licenses or certifications, etc. If we hold an annual or regional meeting of franchises, we will not charge you a fee for our services but you will bear all direct costs of attending any of our events, such as travel, lodging and meals. You will be required to pay the tuition or registration fees to attend approved third-party classes or training, as well as any travel, lodging and meal expenses.

Two consecutive unexcused absences from our mandatory training programs or conventions is a default under the franchise agreement. To cure the default, we may require your Designated Manager to attend all required meetings during the next 12-month period, and if that does not occur then we may terminate the franchise agreement.

ITEM 12. TERRITORY

You must operate the Klappenberger & Son business from a location that we have approved.

If your principal location is your personal residence, we will allow you to relocate to anywhere that is within fifty (50) miles of a border of your Area of Primary Responsibility ("APR"), as defined below. If you move your home further away from the APR, then you will need to open a separate office for the business (and follow our protocol as specified above) or transfer the business to a new owner. The business must always be under the direct full-time supervision of a Designated Manager who lives and works in close proximity to the APR.

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

However, we will grant you a geographic area in which we will not establish, or license others to establish, a Klappenberger & Son business, and in which only your franchise may engage in the general solicitation (or "mass marketing") of potential customers. This is known as your Area of Primary Responsibility, or "APR."

The standard APR that we grant for a franchise in a metropolitan area contains a minimum of 400,000 and a maximum of 600,000 in residential population, but the size, scope and geographic dimensions of any APR are determined by us based on the population density, demographic factors, and other parameters such as county or zip code boundaries. If you wish to have an APR in excess of 600,000 in residential population and we decide to allow you to have a larger APR, then we will charge you an additional initial franchise fee of $100 per additional 1,000 in residential population. Population counts are determined through use of a reputable third-party software provider such as Intellevue. Your APR will be delineated in the Franchise Agreement by zip codes, streets, highways, or other natural or political boundaries and we cannot change the definition of your Exclusive Territory without your consent during the term of the Franchise Agreement. (Sections 2.1 and 2.2 of the Franchise Agreement).

We do not offer rights of first refusal or multi-unit development rights with regard to the operation of Klappenberger & Son businesses.

You must focus your advertising and promotion of the Business to consumers and referral sources within the APR, and you may not conduct direct marketing (including, but not limited to, door to door or telephone solicitation, traditional or electronic mail, Internet advertising, radio or television) to prospective customers or referral sources outside of your APR. However, you may provide painting or home improvement services at any geographic location, provided that your jobs outside of the APR are as a result of personal referrals or relations with property managers that operate both within your APR and in other locations. Likewise, our affiliates and other franchisees may provide services in your APR if the jobs are as a result of personal referrals or relations with property managers that operate in multiple jurisdictions.

Your exclusive marketing rights in your APR do not extend to customers that we identify as National Accounts. The term "National Account" means any customer which, on its own behalf or through agents, franchisees or other third parties, owns, manages, or controls buildings or dwellings in more than two (2) locations, at least one of which is not situated within any one particular franchisee's APR. (In other words, if a customer controls 3 buildings, and one is in your APR while the others are not, the customer qualifies as a National Account.) Any dispute as to whether a particular customer is a National Account shall be determined by us in our sole and absolute discretion. (ii) We shall have the right, on behalf of itself, ours affiliates, you, and/or other franchisees utilizing the Marks, to designate any client as a "National Account Customer" and to negotiate and enter into agreements to provide Klappenberger & Son products and/or services to multiple locations of such National Account Customers, including locations within the APR. (iii) Following the execution of a contract with or the acceptance of a bid by a National Account Customer that contemplates the provision of Authorized Services to one or more National Account Customer location(s) within the APR, we will, if you are in substantial compliance with the terms of this Agreement and any addendum, provide a copy of such contract or bid to you and offer you the option to perform such services pursuant to the terms and conditions of same. You shall have forty eight (48) hours from your receipt of a National Account contract or bid to inform us of your desire to provide the work requested. (iv) If you elect not to provide services to a National Account Customer in conformity with the terms of the National Account contract, or fails to make an election within the time specified by Franchisor, Franchisor shall have the right, exercisable in its sole discretion, to (a) provide, directly, through its affiliates or any other franchisee utilizing the Marks and associated products and/or services to the National Account Customer location(s) within the APR on the terms and conditions contained in the bid or contract between us and the National Account Customer; and/or (b) contract with another party to provide such Authorized Services to the National Account Customer location(s) within the APR on the terms and conditions contained in the bid or contract between Franchisor and the National Account Customer, utilizing the Marks or any other proprietary marks. (v) Neither the direct provision by us (or a franchisee or agent of Franchisor) of Authorized Services to National Account Customers as authorized in Section 2.5 of the Franchise Agreement, nor our contracting with another party to provide such services as authorized in Section 2.5(iv)(b) of the Franchise Agreement, shall constitute a violation by us of Section 2.2 of the Franchise Agreement, even if such services are delivered within your APR.

While we have no current plans to do so, we have the right to offer, ship, sell and provide products identified by the Marks through any distribution channel or method and without compensation to you, provided that the products do not include providing painting services, and minor renovation services in a manner that is the same or similar to that offered by the Business. Any rights not expressly granted to you are reserved to us. Such rights reserved to us include, but are not limited to:

- Advertise, and market Klappenberger & Sons® branded and trademarked services, products and equipment (if we develop products and/or equipment in the future) in your APR;

- To advertise, offer and promote the services and products to promote the System through the Internet, World Wide Web direct marketing and/or other similar venues no matter where the client is located to brand the System within your APR;

- Sell, distribute or offer anywhere any services or products other than painting services or minor renovation services (if we sell products in the future) to anyone located anywhere through any alternative or other channel of distribution, other than local business operations providing services and products under the Marks and System and on any terms and conditions we deem appropriate. We have this right whether or not we are using the Marks or System or are acting inside or outside the Territory designated on your Franchise Agreement;

- Develop and distribute proprietary and/or privately labeled products that have been branded with our Mark or logo or different branded products and equipment through any outlet located anywhere (including, by way of illustration, discount club chains, retail stores, over the Internet and/or electronic media and similar venues) and on any terms and conditions we deem appropriate. If we decide to distribute products, you will receive no compensation from us for such sales inside your APR;

- Own and/or operate ourselves or authorize others to own and/or operate (a) any business located outside the APR as designated on your Franchise Agreement, whether or not using the Marks and/or System, (b) any business anywhere, whether using the Marks and /or System or not, which does not offer painting services or minor renovation services and

- Acquire, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere, including arrangements in which we are acquired, and/or company-owned, franchised or other businesses (including your Franchise Businesses) are converted to another format, maintained under the System or otherwise. Each Klappenberger & Sons® Franchise Business awarded to you will fully participate in any conversion subject to any person/entity merging with, or acquiring us, reimbursing you for reasonable costs directly related to the conversion.

For clarity, the Franchise Agreement grants you no rights to offer services or sell and/or distribute products through any alternative channels of distribution (other than our approved list of channels of distribution) without our written or email permission or share in any of the proceeds from our activities through alternative channels of distribution.

ITEM 13. TRADEMARKS

We grant our franchisees the right to operate Klappenberger & Son businesses under the service mark "Klappenberger & Son" and the logo shown on the cover page of this Disclosure Document. You may also use any other current or future Mark to operate your Franchised Business that we designate in writing. By Mark we mean trade names, trademarks, service marks and logos used to identify Klappenberger & Son businesses.

We had obtained registration of our black and white trademark logo on the Principal Registrar of the United States Patent & Trademark Office ("USPTO"), with a Registration Number of 4802527 issued on September 1, 2015 (the "B&W Logo"). The affidavit required to sustain registration of the B&W Logo was not filed because it was no longer used in commerce. On March 11, 2022, the B&W Logo was cancelled by the USPTO. We have filed for registration of our color logo (as shown on the cover page of this Disclosure Document) on the Principal Registrar of the USPTO, with a Serial Number of 97455535 on June 13, 2022. On August 1, 2023, we have obtained registration of the color logo on the Principal Registrar of the USPTO, with a Registration Number of 7125312. We have also obtained registration of our tradename "Klappenberger & Son" on the Principal Registrar of the USPTO, with a Registration Number of 6179914 issued on October 20, 2020.

There are currently no effective material determinations of the United States Patent and Trademark Office, trademark trial and appeal board, the trademark administrator of this state or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Marks. There are no agreements currently in effect, which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

You will not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your Franchised Business. You may only use the Marks in accordance with our standards, operating procedures and specifications. Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our and our affiliate's rights in the Marks. You may not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You may not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us of any apparent infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you may not communicate with any person other than us regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We may take whatever action we deem appropriate in these situations; we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

We can require you to modify or discontinue the use of any Mark and to use other trademarks or service marks. We will not be required to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. We are not obligated to reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

We will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to such proceeding. We have the right to control the defense and settlement of any such proceeding. Our reimbursement does not include your expenses for removing signage or discontinuing your use of any Mark. Our reimbursement also does not apply to any disputes where we challenge your use of a Mark. Our reimbursement does not apply to legal fees you incur in seeking separate, independent legal counsel.

You must use the Marks as the sole trade identification of the Franchised Business. You may not use any Mark in connection with the sale of any unauthorized products or services, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law.

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

You may not establish, create or operate an Internet site or website using any domain name containing the words "Klappenberger & Son" or any variation thereof without our prior written consent. We retain the sole right to advertise on the Internet and create websites using the

"Klappenberger & Son" domain name and any other domain names we may designate in the Manual.

There are no infringing or prior superior uses actually known to us that could materially affect the use of the Marks in this state or any other state in which the Franchised Business is to be located.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own and are not aware of any patents that are material to the franchise.

We own copyrights in the Manual, our trade dress, marketing materials and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Registrar of Copyrights and need not do so to protect them. You may use these items only as we specify while operating the Franchised Business and you must stop using them if we direct you to do so.

There are currently no effective determinations of the Copyright Office (Library of Congress) or any court regarding the copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

Our affiliate has developed certain Confidential Information, including certain trade secrets, methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in operating painting and minor home improvement services businesses, and has provided us with a license to divulge such information in confidence to qualified franchisees and managers. We have a license to use and sublicense such Confidential Information to you. However, if we are in breach of that license agreement, then our rights to license the Confidential Information to you, and your rights to use such Confidential Information would terminate.

We will provide our Confidential Information to you during training, in the Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the Confidential Information for the purpose of operating your Franchised Business. You may only divulge Confidential Information to employees who must have access to it in order to operate the Franchised Business. You are responsible for enforcing the confidentiality provisions as to your employees.

Certain individuals with access to Confidential Information, including your owners (and members of their immediate families) officers, directors, executives, and management, may be required to sign nondisclosure and non-competition agreements the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement.

You must promptly tell us when you learn about any unauthorized use of copyrighted information. We are not obligated to protect your rights to use our copyrighted materials. We have no obligation to defend you or indemnify you if you are sued for copyright infringement after using our advertising materials, menus or other written items. We may require you to modify or discontinue your use of any copyrighted materials at any time.

All ideas, concepts, techniques or materials concerning the Franchised Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

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

The Franchised Business must always be under the direct full-time supervision of a Designated Manager, which is you if you are an individual, or is an individual you select if you are a business entity. You (or your Designated Manager, if you are an entity) must attend and satisfactorily complete our initial training program before opening the Franchised Business; that program is fully described in Item 11.E. of this document.

We require that an individual who owns at least 50% of the Franchisee Entity (the "Principal Owner") complete our in initial training program and participate in the day to day operations of the Franchised Business for at least 6 months after it begins operations. Franchisee may then designate another person who has completed our training program as the Designated Manager, whether or not that person owns an equity interest in the Franchisee entity, provided that you must keep us informed at all times of the identity of your current Designated Manager, and if a person you have employed as Designated Manager is terminated or otherwise ceases employment, you must appoint a new Designated Manager and send him or her to our next scheduled initial training program. In the interim, the Principal Owner must assume day to day management or designate another person who we approve to manage the Franchised Business.

In addition, if monthly revenues of your Franchise have decline by 15 percent or more (as compared to same months of operation in the previous year) for three consecutive months, we may require the Principal Owner to resume the day-to-day management of the business until current monthly revenues meet or exceed the revenues generated during the same months of the previous year. Thereafter you will be required to obtain our approval in advance of any new Designated Manager who does not own at least 50% equity in your Franchisee entity.

As described in Item14 14, certain individuals having access to Confidential Information (including the Designated Manager) are required to sign nondisclosure and non-competition agreements the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the right to enforce the agreements.

If you are a business entity, each person who owns a legal or beneficial interest of more than 20% in the entity must personally guarantee the performance of all of your obligations under the Franchise Agreement and agree to be personally liable for your breach of the Franchise Agreement by signing the Guaranty and Assumption of Obligations attached to the Franchise Agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only use the Service Vehicles for the operation of the Franchised Business and you must not use, or permit the use of, such vehicles for any other purpose without our written consent. You may only use your headquarters for other businesses with our express approval, which we will not unreasonably withhold. You must operate the Franchised Business in strict conformity with the methods, standards and specifications in the Manual and as we may require otherwise in writing. You may not deviate from these standards, specifications and procedures without our written consent.

You must offer painting services and minor renovation services to the general public. As we develop additional product or services lines, we will offer you the opportunity to train for and then implement the offering of those products to the public, and if you choose to offer those products then you must do so in conformance with our standards. You may not offer any products or services clearly related to the painting and minor renovation services unless you do so as our franchisee.

From time to time, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based upon such factors as we determine, including test marketing, your qualifications, and regional or local differences.

We may periodically change the authorized products or services at all Klappenberger & Son businesses and during successor franchise agreements between us we may require you to implement additional product offerings. There are no limits on our right to do so, other than we must include painting as part of the services offered. If we modify the System, you may be required to add or replace equipment and signs, and you may have to make improvements or modifications as necessary to maintain uniformity with our current standards and specifications.

To the extent permitted by applicable law, we may from time to time set minimum and maximum price levels that you may charge for the Authorized Services, and require you to abide by any and all pricing parameters that we set within 30 days after receiving our written notice of any pricing change or requirement.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision	Section in the Franchise Agreement	Summary
a. Length of the franchise term a	Section 3.1	The initial term is 10 years.
b. Renewal or extension of the term	Section 3.2	You may renew for 2 additional successive terms of 10 years each, subject to (c) below.
c. Requirements for franchisee to renew or extend.	Section 3.2	You may obtain a successor Franchise Agreement from us if you: have given us written notice of your desire to renew not less than 6 months nor more than 12 months prior to expiration of the existing Agreement; have, during the term of your Agreement, substantially complied with all material provisions; have timely satisfied all monetary obligations owed to use or our affiliate throughout the term of the Agreement; are not in default of any provision of this Agreement or any other agreement with us; have complied or agreed to comply with our then-current qualifications for new franchisees and training requirements; executed a general release the same as or similar to the one attached to the Franchise Agreement as Exhibit D; pay us the renewal fee; and have executed our then-current form of Franchise Agreement. You may be asked to sign a contract with materially different terms and conditions than your original contract. You shall pay a renewal fee equal to the greater of five percent (5%) of the then current Franchise Fee (as such

		term is hereinafter defined) charged by us or $2,000.00.
d. Termination by franchisee	Section 21.1	You have the right to terminate the Franchise Agreement if you are in compliance with it, we materially breach it and we fail to begin to cure our breach within 90 days of receiving your written notice
e. Termination by franchisor without cause	None	We may not terminate the Franchise Agreement without cause.
f. Termination by franchisor with cause.	Sections 21.2 and 21.3	We may terminate the Franchise Agreement either with or without a cure period for the reasons set forth in these Sections. You can also be terminated if you fail to enter the minimum of $2,000 of deposits for 3 consecutive months.
g. "Cause" defined– curable defaults	Section 21.3	You can avoid termination of the Franchise Agreement if you cure the following defaults within the following time periods: 15 days after receiving our notice of termination for failing to begin operation within 90 days of signing the Franchise Agreement, failing to make payments due us, including minimum annual royalties, failing to operate the Franchised Business under supervision of an approved Designated Manager, or allowing any required insurance policies to lapse; or 30 days from receiving a notice of default for failure to comply with mandatory specifications in the Franchise Agreement or Manual,

		provided that, if the breach is of a nature which cannot reasonably be cured within 30 days and you are making a good faith effort to cure, you will be provided with an additional 30 day period to complete the cure.
h. "Cause" defined – noncurable defaults	Sections 21.2	We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to satisfactorily complete initial training; make any material misrepresentation or omission in your application or otherwise in the course of entering into the Franchise Agreement; are convicted of or plead no contest to a felony or other criminal offense which may adversely affect our reputation, or commit any act which materially and detrimentally impairs or impacts the goodwill associated with any of our Marks; make any unauthorized use of the Manual or any other confidential information; fail to abide by the covenants not to compete; abandon or fail to operate the Franchised Business for 5 or more consecutive days; surrender, transfer control of, or attempt to transfer an ownership interest in the Franchised Business without or approval; fail to maintain the Franchised Business under proper supervision; submit to us on two or more separate occasions understating any fees owed to us by 10% or

		more); are adjudicated bankrupt (this provision may not be enforceable under federal bankruptcy law, 11 U.S.C. Section 101 et seq.); become insolvent or file any action or petition for insolvency; fail to pay taxes owed or comply with other governmental requirements applicable to the Business within 90 days of receiving notice from us or a governmental agency; operate the Business in a manner that presents a substantial environmental, health or safety hazard to your customers, employees or the general public, and fail to cure any such defaults within 72 hours of notice; make any unauthorized use of the Marks; knowingly maintain false books or records or materially impede our audit of your books or records; or have defaulted under the Franchise Agreement 3 or more times during a 12 month period.
i. Franchisee's obligations on termination/nonrenewal	Section 22	If the Franchise Agreement is terminated or not renewed, you must: stop using any Confidential Information, the System and the Marks; return the Manual, Marks and all other Confidential Information; stop operating the Franchised Business and refrain from doing business under any name or in any manner that may give the general public the impression that you are in any way connected with us; pay all sums owed to us including

		damages and costs incurred in enforcing the termination provisions of the Franchise Agreement; make such reasonable modifications to any vehicles and real property used in connection with the Franchised Business as necessary to eliminate their identification as being connected with a Klappenberger & Son business; if requested, assign your tangible business assets to us; cancel or assign to us any assumed names; as we require, either assign to us or cancel your telephone numbers, websites or other intangibles associated with the Marks; cease all use of the customer list for the formerly Franchised Business; and comply with the covenants not to compete (see subpart "r" below) and any other surviving provisions of the Franchise Agreement. If the Franchise Agreement is terminated due to your default, then you must pay us the Liquidated Damages as described in Item 6, page 13 of this Disclosure Document.
J Assignment of contract by franchisor	Section 18.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.
k. "Transfer" by franchisee – defined	Section 18.2	"Transfer" includes transfer of ownership or any interest in the Franchised Business, most of its assets, the Franchise Agreement, or the franchisee entity.
l. Franchisor approval of transfer by franchisee	Section 18.2	You may not transfer any interest in any of the items

		listed in (k) above without our prior written consent.
m. Conditions for franchisor's approval of transfer	Section 18.2	We will consent to a transfer if you: comply with our right of first refusal; have satisfied all outstanding obligations relating to the Franchised Business and any other agreements between you and us as of the effective date of the transfer; execute our general release; have provided us with a complete copy of all contracts and agreements and related documentation between you and the prospective franchisee relating to the intended transfer, and we determine that the transfer terms will not be so burdensome as to adversely affect operation of the Business by the transferee; if you are financing the transferee's purchase, guarantee the transferee's full performance under the Franchise Agreement until its loan to you is paid in full; and have or the transferee has paid us the applicable transfer fee. The transferee must: execute a general release in our favor, satisfy us that it meets our management, business and financial standards, obtain all necessary consents and approvals, agree to make any refurbishments to the Vehicles and equipment to comply with our current standards; and all holder of a legal or beneficial interest of twenty percent or more in the transferee entity have agreed to be personally bound jointly and severally by

		all provisions of the Agreement for the remainder of its term. If you transfer to a Controlled Entity, as that term is defined in Section 18.9 of the Franchise Agreement, you must pay an Administrative Fee of $500.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 19	We may match an offer for your Franchised Business or ownership interest in Franchisee.
o. Franchisor's option to purchase franchisee's business	Section 22.3	Except in the case of a renewal under Section 2, we shall have the option upon termination, expiration or cancellation of the Franchise Agreement, to purchase the Business or any portion of the assets specifically used in the Franchised Business for fair market value. However, we are not obligated to pay you any compensation to utilize the Business's customer data after termination of our relationship with you.
p. Death or disability of franchisee	Section 18.3	Upon your death or disability, or that of your Control Person if you are a business entity, the Franchise Agreement or the controlling interest in the Franchisee Entity must be transferred to a party approved by us.
q. Non-competition covenants during the term of the franchise	Sections 20.1 and 20.4	You, any holder of a legal or beneficial interest, your officers, directors, executives, managers, and any of your or their immediate family (the "Bound Parties") are prohibited from: having any interest as a disclosed or beneficial owner or performing services as a director, officer, manager,

		employee, consultant, representative, or agent for any business that provides painting and/or minor renovation services, or for any business that grants franchises or licenses to others to operate any of those types of businesses.
r. Non-competition covenants after the franchise is terminated or expires	Sections 20.2, 20.3 and 20.4	For 2 years after the termination or expiration of the Franchise Agreement, you and the Bound Parties are prohibited from: having any interest as a disclosed or beneficial owner, manager, consultant or advisor to (a) a business that grants franchises or licenses to others to operate a provides painting and/or minor renovation services business anywhere in the United States, or (b) a business that provides painting and/or minor renovation services to any customers located within the APR formerly served by your franchise, or within 15 miles of any of its borders, or within the APR of any other Klappenberger & Son business (including that of our affiliate). For a period of 2 years after termination or expiration, You also must not solicit or attempting to solicit any of our or any of our franchisees' or affiliates' employees, or otherwise interfere with such employment relationships.
s. Modification of the agreement	Sections 7 and 39	The Franchise Agreement can be modified only by written agreement between you and us. We may modify the

		Operations Manual without your consent if the modification does not materially alter your fundamental rights.
t. Integration/merger clause	Section 39	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding. Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document.
u. Dispute resolution by mediation or arbitration	Sections 29.2 and 29.3	Except to the extent that either party seeks temporary or preliminary injunctive or other equitable relief to enforce provisions of this Agreement, all disputes arising under the Franchise Agreement may, at Franchisor's sole option, be first submitted to non-binding mediation in the county and state in which we maintain our principal place of business (currently Horry County, South Carolina) and, if mediation does not result in a settlement, through arbitration in the county and state in which we maintain our principal place of business.
v. Choice of forum	Section 29.4	You are consenting to the jurisdiction of the courts located in the county and state in which we maintain our principal place of business (currently Horry County, South Carolina); however, at

		Franchisor's sole option, all disputes, shall be resolved through mediation and, if necessary, arbitration unless either party is seeking temporary or preliminary injunctive or other equitable relief to enforce provisions of this Agreement
w . Choice of law	Section 23.1	The Franchise Agreement shall be governed by the laws of the state of South Carolina, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.).

ITEM 18. PUBLIC FIGURES

We do not presently use any public figures to promote the franchise.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any financial performance 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 actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Jean Klappenberger, 902 Bluffview Drive, Myrtle Beach, South Carolina 29579, and (443) 223-0645, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table 1
Outlet Summary
For Fiscal Years 2022 thru 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	9	9	0
	2023	9	11	+2
	2024	11	10	-1
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Total Outlets	2022	9	9	0
	2023	9	11	+2
	2024	11	10	-1

Table 2
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)
For Fiscal Years 2022 thru 2024

State	Year	Number of Transfers
DC	2022	0
	2023	0
	2024	0
Maryland	2022	0
	2023	0
	2024	0
Virginia	2022	1
	2023	0
	2024	0
Total	2022	1
	2023	0
	2024	0

*This franchise has two co-owners which are listed in Exhibit G.

Table 3
Status of Franchise Outlets
For Fiscal Years 2022 thru 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
DC	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Florida	2022	1	0	1	0	0	0	0

	2023	0	1	0	0	0	0	1
	2024	1	0	1	0	0	0	0
Georgia	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	1	0	0	0	0
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Maryland	2024	5	1	1	0	0	0	5
Ohio	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Oklahoma	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Tennessee	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Texas	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	1	0	0	0	0
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Virginia	2024	1	0	0	0	0	0	1
	2022	9	1	1	0	0	0	9
	2023	9	2	0	0	0	0	11
Total	2024	11	3	4	0	0	0	10

Table 4
Status of Company-Owned Outlets
For Fiscal Years 2022 thru 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
South Carolina	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Total	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

Table 5
Projected Openings As of December 31, 2024

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company Owned Outlets in the Current Fiscal Year
Georgia	0	0	0
North Carolina	0	1	0
South Carolina	0	1	0
Totals	0	2	0

All numbers above are as of December 31, 2024.

The names of all franchisees and the addresses and telephone numbers of all existing Franchised Businesses as of December 31, 2024, are included in Exhibit G. The names, addresses and telephone numbers of all franchisees who have left the system (including transfers) as of December 31, 2024, are included in Exhibit H. The names, addresses and telephone numbers of all franchisees signed but not opened as of the date of this Disclosure Document are listed in Exhibit I.

There are no franchisees who have had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have 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, certain former franchisees have signed provisions restricting their ability to speak openly about their experience with Klappenberger & Son. You may wish to speak with current and former franchisees, but be aware that not all of them will be able to communicate with you.

There are no trademark-specific franchisee organizations associated with the franchise system.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit D are:

Our audited financial statements for the periods ending December 31, 2024, December 31, 2023, and December 31, 2022. Our fiscal year end is December 31 of each year.

We use the modified retrospective approach to determine revenue recognition in the preparation of all audited financial statements.

ITEM 22. CONTRACTS

Hook & Wilson, LLC Franchise Agreement (with exhibits) is attached to this Disclosure Document as Exhibit C.

We provide no other contracts or agreements for your signature.

ITEM 23. RECEIPTS

Our copy and your copy of the Franchise Disclosure Document Receipt are located on the last 2 pages of this Disclosure Document. This includes the following exhibits:

A. LIST OF STATE ADMINISTRATORS
B. LIST OF AGENTS FOR SERVICE OF PROCESS
C. FRANCHISE AGREEMENT
D. FINANCIAL STATEMENTS
E. TABLE OF CONTENTS TO OPERATIONS MANUAL
F. STATE SPECIFIC ADDENDA
G. LIST OF FRANCHISEES AS OF DECEMBER 31, 2024
H. LIST OF FRANCHISEES THAT LEFT THE SYSTEM (INCLUDING TRANSFERS AS OF DECEMBER 31, 2024)
I. LIST OF FRANCHISEES SIGNED BUT NOT OPENED AS OF THE DATE OF THIS DISCLOSURE DOCUMENT
J. STATE EFFECTIVE DATES

KLAPPENBERGER & SON

LIST OF STATE AMINISTRATORS

EXHIBIT A TO THE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS

The following is a list of state administrators responsible for registration and review of franchises. We may register in one or more of these states. If we have registered in a state, the Effective Date of the Disclosure Document is listed on Exhibit H to this Disclosure Document. **If a state is not listed, the Effective Date is the Issuance Date listed on the Cover Page of this Disclosure Document**.

California

California Commissioner of Business Oversight
California Dept. of Business Oversight
320 West 4th Street,
Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500
(866) 275-2677

Michigan

Department of the Attorney General
525 W. Ottawa St.
P.O. Box 30212
Lansing, MI 48909
(517) 373-7117

Rhode Island

Director of Business Regulation
Division of Securities
John O. Pastore Building
69-1 1511 Pontiac Avenue
Cranston, RI 02910
(401) 462-9587

Hawaii

Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street,
Room 203
Honolulu, HI 96813
(808) 586-2744

Minnesota

Minnesota Commissioner of Commerce
Department of Commerce
85 7th Place East
Suite 500
St. Paul, MN 55101
(612) 296-4026

South Dakota

Director of South Dakota Division of Securities
445 East Capitol Avenue
Pierre, SD 57501
(605) 773-4823

Illinois

Illinois Attorney General
500 South Second Street
Springfield, IL 62706
(217) 782-1090

New York

New York State Department of Law
Bureau of Investor Protection
28 Liberty Street
New York, NY 10005
(212) 416-8222

Virginia

Virginia State Corporation Commission
Division of Securities and Retail Franchising
9th Floor
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

Indiana

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, IN 46204
(317) 232-6681

North Dakota

North Dakota Securities Commissioner
State Capitol
Bismarck, ND 58505
(701) 328-2910

Washington

Washington Securities Administrator
Washington State Department of Financial Institutions
P.O. Box 9033
Olympia, WA 98507-9033
(360) 902-8760

Maryland

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Oregon

Department of Consumer & Business Services
Division of Finance and Corporate Securities
350 Winter St. NE
Rm. 410
Salem, OR 97301-3881
(503) 378-4387

Wisconsin

Department of Financial Institutions
Wisconsin Commissioner of Securities
4822 Madison Yards Way
North Tower
Madison, Wisconsin 53705
(608) 266-1064

KLAPPENBERGER & SON
LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

EXHIBIT B TO THE DISCLOSURE DOCUMENT

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS
LIST OF AGENTS FOR SERVICE OF PROCESS

California

California Commissioner of Business Oversight
California Dept. of Business Oversight
320 West 4th Street,
Suite 750
Los Angeles, CA 90013-2344

Michigan

Department of the Attorney General
525 W. Ottawa St.
P.O. Box 30212
Lansing, MI 48909

Rhode Island

Director of Business Regulation
Division of Securities
John O. Pastore Building
69-1 1511 Pontiac Avenue
Cranston, RI 02910

Hawaii

Commissioner of Securities
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street,
Room 203
Honolulu, HI 96813

Minnesota

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

South Dakota

Director of South Dakota Division of Securities
445 East Capitol Avenue
Pierre, SD 57501

Illinois

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

New York

Secretary of State
Department of State
1300 E. Main Street
One Commerce Plaza
99 Washington Ave
Albany, NY 12231-0001

Virginia

Clerk of the State Corporation Commission
1st Floor
1300 Main Street
Richmond, VA 23219
(804) 371-9733

Indiana

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, IN 46204

North Dakota

North Dakota Securities Commissioner
State Capitol
Bismarck, ND 58505

Washington

Washington Securities Administrator
Washington State Department of Financial Institutions
P.O. Box 9033
Olympia, WA 98507-9033

Maryland

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Oregon

Department of Consumer
& Business Services
Division of Finance and
Corporate Securities
350 Winter St. NE
Rm. 410
Salem, OR 97301-3881

Wisconsin

Department of Financial
Institutions
Wisconsin Commissioner
of Securities
4822 Madison Yards Way
North Tower
Madison, Wisconsin 53705

HOOK & WILSON, LLC FRANCHISE AGREEMENT

EXHIBIT C TO THE DISCLOSURE DOCUMENT

TABLE OF CONTENTS

KLAPPENBERGER & SON® FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into as of the date set forth on Exhibit C-1 attached hereto (the "Effective Date") (**Exhibit C-1** and all other exhibits hereto are incorporated herein by this reference) by and between HOOK & WILSON, LLC, a limited liability company organized under the laws of Maryland with its principal place of business at the address set forth on **Exhibit C-1** hereto ("Franchisor"), and the person or entity identified on **Exhibit C-1** as the franchisee ("Franchisee").

W I T N E S E T H:

WHEREAS, Franchisor's affiliate, Klappenberger & Son, LLC, has established and licensed to Franchisor a system of opening, operating and promoting businesses that provide painting and minor renovation services, primarily to residential and small business customers (the "Authorized Services"), under the name "Klappenberger & Son" using equipment, tools, materials, methods, procedures, and the quality standards as specified in the Operating Manual, as amended from time to time through written or electronic form (the "System"), and each such business is a "Business";

WHEREAS, the System is identified by certain trade names, trademarks, service marks, logos, emblems, insignia and signs developed for use, including the name "Klappenberger & Son" and the design service mark shown on the cover page of this Agreement, which are owned by Franchisor's affiliate, Klappenberger & Son, LLC (collectively, the "Marks");

WHEREAS, Klappenberger & Son, LLC has granted Franchisor the exclusive right to sub-license the Marks and System, as they currently exist as well as any modifications and substitutions thereof, for use in the operation of Businesses;

WHEREAS, Franchisee recognizes the potential value and benefits to be derived from utilizing the System and desires to own and operate the Business in a manner that is consistent with, and will promote, Franchisor's standards of quality and goodwill as developed from time to time, and Franchisor, in reliance on the representations made by Franchisee and the person who owns at least fifty percent (50%) of the equity in Franchisee (the "Principal Owner"), is willing to provide certain training, materials and ongoing assistance relating to the System and to grant Franchisee the right to operate a Business under the terms and conditions hereinafter set forth, which terms are acceptable to Franchisee and are acknowledged to be material and reasonable.

NOW, THEREFORE, for and in consideration of the foregoing premises and the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Franchisor and Franchisee hereby agree as follows:

1. GRANT OF FRANCHISE

During the term of this Agreement, Franchisor hereby grants to Franchisee the non-exclusive right and license, and Franchisee undertakes the obligation, to develop and operate a Business and to use solely in connection therewith, the Marks and the System in accordance with the terms and conditions of this Agreement only within the Area of Primary Responsibility, as that term is defined below (the "Business"). Franchisee must begin operation of the Business within 120 days after the Effective Date and continuously operate the Business throughout the Term, as defined below; provided, however, that if Franchisee is an existing painting contractor with at least two (2) years of experience operating a painting contractor business and during the last complete calendar year has attained at least $100,000 in gross revenue paid by property owners, property managers or general contractors (a "Conversion Franchisee"), then Franchisee must begin operation of the Business within 60 days after the Effective Date and continuously operate the Business throughout the Term.

2. TERRITORY

2.1 Area of Primary Responsibility. Subject to the limitations and terms set forth in this Section 2, Franchisee shall have the right to use the Marks in the general solicitation of potential customers and to use the System to operate a Business in the geographic area described on Exhibit C-1 attached hereto (the "Area of Primary Responsibility"). The boundaries of your Area of Primary Responsibility may not be changed during the term of this Agreement without your consent.

(i) Franchisee may operate the Business from any location provided that the proposed site:

(a) has adequate storage facilities;
(b) has appropriate office space for general and administrative activities; and
(c) has been approved by Franchisor in its reasonable discretion.

(i) Franchisor's approval of the proposed site under Section 2.1(i)(c) shall be based on: (a) the proposed site's proximity to major roads; (b) the accessibility from the proposed site to population centers throughout the Area of Primary Responsibility; and (c) the material economic terms of the lease or purchase contract, if Franchisee operates from outside its Principal Owner's home. Notwithstanding anything explicit or implied in this Agreement, Franchisor's approval of any proposed site is not a guarantee of Franchisee's likelihood of success and is not an endorsement that the proposed site and Franchisee's operations of the Business therein complies with local zoning and land use laws. Further, Franchisor is not obligated to provide any site selection assistance or lease negotiation services in connection with Franchisor's approval right under Section 2.1(i)(c) or any other term of this Agreement.

(iii) Upon Franchisor's approval of the proposed site, such address shall be listed in Exhibit C-1 to this Agreement (the "Premises"), and Franchisee will conduct all management and administration of the Business at the Premises; provided, however, Franchisee may conduct

business at satellite or deployment locations if, and only if, Franchisee notifies Franchisor of such locations. If Franchisee's principal location is a personal residence, Franchisor will not deny approval to relocate the principal location to another personal residence that is within fifty (50) miles of a border of the Area of Primary Responsibility.

2.2 Territorial Protection Subject to **Sections 2.3 and 2.5** below, during the term of this Agreement, Franchisor may not, nor may Franchisor license any person other than Franchisee to, operate a Business within the Area of Primary Responsibility using the Marks or the System, nor may Franchisor permit a Business to engage in general solicitation of prospective customers or projects within the Area of Primary Responsibility. Except as provided herein, Franchisee has no exclusive territorial rights or other right to exclude, control or impose conditions on Franchisor's activities or on the location, development or operation of other or future franchises under the Marks. Moreover, Franchisor has sole and absolute discretion to determinate what actions (if any) to take in the event that any other party (including another franchisee of Franchisor) provides unauthorized services in the Area of Primary Responsibility.

2.3 Reservation of Rights. Franchisor retains the right, in its sole discretion, to:

(i) grant to other franchisees or licensees the right to establish and operate, a Business or any other business using the Marks, the System or any variation of the Marks and the System, provide painting and minor renovation services outside the Area of Primary Responsibility, on any terms and conditions that Franchisor deems appropriate;

(ii) offer, ship, sell and provide products identified by the Marks or other trademarks, service marks, commercial symbols or emblems to customers located in the Area of Primary Responsibility through any distribution channel or method (including without limitation direct marketing, wholesale, infomercials, Internet, or electronic distribution) without compensation to Franchisee;

(iii) acquire, be acquired by, or merge with other companies who own, operate, franchise or license anywhere, even within the Area of Primary Responsibility, businesses operating under marks other than the Marks and that offer and sell the Authorized Services or any other services whatsoever; and (iv) expand into the sale of products or of other services under the Marks, provided that the other products or services do not compete directly with the Businesses; and

(iv) engage in any other activity, action or undertaking that Franchisor is not expressly prohibited from taking under this Agreement

2.4 Projects Outside of the Area of Responsibility. Franchisee may provide the Authorized Services at any location outside of the Area of Primary Responsibility only if that opportunity is generated through: (i) personal referrals to Franchisee's owners, managers or employees or (ii) relations with property managers that operate both within your Area of Primary Responsibility and the location outside of the Area of Primary Responsibility where you intend to perform the Authorized Services. Franchisee must specifically consult with Franchisor prior to

providing Authorized Services beyond its Area of Primary Responsibility to ensure that the proposed service location is permissible under this **Section 2.4.**

2.5 National Accounts

(i) The term **"National Account"** means any customer which, on its own behalf or through agents, franchisees or other third parties, owns, manages, or controls buildings or dwellings in more than two (2) locations, at least one of which is not situated within any one particular franchisee’s Area of Primary Responsibility. (In other words, if a customer controls three buildings, and one is in Franchisee’s Area of Primary Responsibility while the others are not, the customer qualifies as a National Account.) Any dispute as to whether a particular customer is a National Account shall be determined by Franchisor in its sole and absolute discretion.

(ii) Franchisor shall have the right, on behalf of itself, its affiliates, Franchisee, and/or other franchisees utilizing the Marks, to designate any client as a “National Account Customer” and to negotiate and enter into agreements to provide Klappenberger & Son products and/or services to multiple locations of such National Account Customers, including locations within the Area of Primary Responsibility.

(iii) Following the execution of a contract with or the acceptance of a bid by a National Account Customer that contemplates the provision of Authorized Services to one or more National Account Customer location(s) within the Area of Primary Responsibility, Franchisor will, if Franchisee is in substantial compliance with the terms of this Agreement and any addendum, provide a copy of such contract or bid to Franchisee and offer Franchisee the option to perform such services pursuant to the terms and conditions of same. Franchisee shall have forty eight (48) hours from its receipt of a National Account contract or bid to inform Franchisor of its desire to provide the work requested

(iv) If Franchisee elects not to provide services to a National Account Customer in conformity with the terms of the National Account contract, or fails to make an election within the time specified by Franchisor, Franchisor shall have the right, exercisable in its sole discretion, to (a) provide, directly, through its affiliates or any other franchisee utilizing the Marks and associated products and/or services to the National Account Customer location(s) within the Area of Primary Responsibility on the terms and conditions contained in the bid or contract between Franchisor and the National Account Customer; and/or (b) contract with another party to provide such Authorized Services to the National Account Customer location(s) within the Area of Primary Responsibility on the terms and conditions contained in the bid or contract between Franchisor and the National Account Customer, utilizing the Marks or any other proprietary marks.

(v) Neither the direct provision by Franchisor (or a franchisee or agent of Franchisor) of Authorized Services to National Account Customers as authorized in Section 2.5(iv)(a) above, nor Franchisor’s contracting with another party to provide such services as authorized in Section

2.5(iv)(b) above, shall constitute a violation by Franchisor of Section 2.2 above, even if such services are delivered within the Area of Primary Responsibility.

3. **<u>TERM AND RENEWAL</u>**

3,1 <u>Term</u>. Unless terminated earlier in accordance with the terms and conditions set forth herein, this Agreement and the franchise granted hereunder shall have a term of ten (10) years commencing on the Effective Date (the “**Term**”).

3.2 Renewal. Upon the expiration of the Term, Franchisee shall have the right to renew the franchise granted hereunder for up to two (2) additional ten (10)-year period(s) provided that all of the following conditions are met:

(i) Franchisee gives Franchisor written notice of its election to renew the franchise not less than six (6) months nor more than twelve (12) months prior to the expiration of the Term;

(ii) Franchisee is not, when notice is given, and does not become prior to the expiration of the Term, in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor or its subsidiaries or affiliates or with any designated or approved supplier of the Business, and Franchisee has been in substantial compliance with all material provisions of this Agreement during the term;

(iii) Franchisee shall execute, at Franchisor's option, Franchisor's then-current form of Franchise Agreement, which Franchise Agreement shall supersede in all respects the terms and conditions of this Agreement and may contain terms and conditions substantially different from those set forth herein, including, without limitation, an increase in Royalties or Brand Development Fund Contributions (as such terms are hereinafter defined); provided, however that such agreements shall require mandatory minimum royalty payments that reflect the mature nature of the Business, and shall not require Franchisor to provide the training services typical for new franchisees.

(iv) Franchisee shall pay a renewal fee equal to the greater of five percent (5%) of the then current Franchise Fee (as such term is hereinafter defined) charged by Franchisor or Two Thousand Dollars ($2,000.00);

(v) Franchisee shall be current in the payment of all obligations to Franchisor and to any of its affiliates and subsidiaries, as well as lessors, vendors, suppliers and other creditors of the Business; and

(vi) Franchisee and Franchisor shall execute a mutual general release, to the greatest extent permitted by applicable law and in a form satisfactory to Franchisor, of any and all claims that either party may have against the other party or affiliates, subsidiaries, officers, directors, shareholders, managers, members, partners, employees and agents.

4. FEES

4.1 Initial Fees. Subject to the potential discounts and adjustments as set forth in Section 4.1(i), as a condition of Franchisor executing this Agreement, Franchisee must pay to Franchisor in certified funds a franchise fee of $47,000 (the "Franchise Fee") with its signatures on this Franchise Agreement. Except as stated in Section 13.2 below, once Franchisee pays the Franchise Fee to Franchisor it shall be deemed fully earned and nonrefundable.

(i) The Franchise Fee shall be adjusted as follows:

(a) Subject to the sole and absolute discretion of Franchisor, if Franchisee or its Principal Owner is either (

(1) a past or current employee of Klappenberger & Son, LLC, or

(ii) a past or current subcontractor of Klappenberger & Son, LLC, then Franchisor may discount the Franchise Fee by up to $10,000;

(b) A Franchisee that is, or is owned and operated by, an individual who has been honorably discharged from military service as of the year 2002 and any time thereafter, shall be eligible for a discount of $7,000;

(c) If Franchisee is an existing Franchisee, who is not in default or breach of the terms and conditions of its current franchise agreement with Franchisor, then Franchisor shall discount the Franchise Fee by fifty percent (50%);

(d) For a qualified Conversion Franchise, the Franchisee Fee shall be $20,000; or

(e) If Franchisee desires to conduct the Business in an Area of Primary Responsibility containing more than 600,000 in residential population (as determined through the use of a reputable third-party demographics software, such as, but without limitation, Intellevue), and provided that Franchisor consents, the Franchise Fee shall be increased by $100 for each 1,000 in residential population in excess of 600,000; provided however, that each addition to residential population shall be rounded up to the next 1,000th increment.

The discounts offered in Sections 4.1(i)(a) through (d) are not cumulative and, in the event that such discounts are mandatory, the highest available discount shall be applied. For example, a qualified veteran will pay $40,000 for his or her first Klappenberger & Son franchise and would receive a discount of 50% off the full Franchise Fee if purchasing a second Klappenberger & Son franchise.

4.2 Royalties. During the term of this Agreement, Franchisee shall pay to Franchisor a nonrefundable royalty (the "Royalties") in an amount equal to the sum of: (i) six percent (6%) of the first $1,000,000 of Franchisee's Gross Receipts received during the calendar year, plus (ii) four percent (4%) of Franchisee's Gross Receipts in excess of $1,000,000 received during the calendar year. Royalties shall be due and payable as provided in Section 5.1 below. If, at any time, a state or other governmental authority shall impose a tax on the Gross Receipts or any other receipts of Franchisor (but excluding any tax based on Franchisor's net income), the Royalties rate shall be increased so that the net Royalties payable to Franchisor, after payment of such tax, shall equal to the applicable rate charged of Franchisee's Gross Receipts.

4,3 **Minimum Annual Royalties**. Moreover, and without denigration to the percentage royalty required under Section 4.2, with regard to each calendar year during the Term, Franchisee must pay the following minimum amount of Royalties to Franchisor:

Agreement Year **"Minimum Royalty"**

First	$11,000
Second	$14,500
Third	$18,000
Fourth	$22,500
Fifth	$30,000
Sixth	$30,000
Seventh	$30,000
Eighth	$30,000
Ninth	$30,000
Tenth	$30,000*

If the parties do not sign a successor franchise agreement during the 10th calendar year, then the minimum royalty will be pro-rated for that year at the amount of $2,500 per month of operation, and if there is a deficiency at the end of the Term then Franchisor may require Franchisee to pay the deficiency immediately after termination of the relationship. In addition, if Franchisor terminates this Agreement for cause at any time after Franchisee's first partial calendar year of operation, then Franchisor may measure Franchisee's satisfaction of the Minimum Royalty requirement by a similar pro-rating method for the calendar year in which the termination occurs and require Franchisee to pay any deficiency immediately after termination.

4.4 Brand Development Fund Contribution. Franchisor has established and administers a Systemwide marketing, advertising and promotion fund ("**Brand Development Fund**"). Franchisee is required to contribute to the Brand Development Fund two and one-quarter percent (2.25%) of Franchisee's Gross Receipts ("Brand Development Fund Contribution"). Brand Development Fund Contributions shall be made at the same time and in the same manner as Royalty Fee payments. The **Brand Development Fund** shall be maintained and administered by Franchisor or its designee in accordance with the provisions contained in **Section 11.2.**

4.5 Regional Cooperative Advertising. INTENTIONALLY DELETED.

4.6 Call Center Fees. We require you, as of the Effective Date, to utilize the service of our approved vendor which operates and maintains a centralized customer call and administration center to answer incoming calls to the telephone number assigned to the Business, provide general information about the Authorized Services, schedule estimates on Franchisee's behalf, make outbound calls to potential and actual customers of the Business with regard to service appointments, and send follow up communications to customers after service appointments (collectively, these functions are called the "Customer Center Services"). In exchange for the Customer Center Services, Franchisee shall timely pay our approved vendor directly ("**Call Center Fee**"). Franchisee acknowledges that Franchisor, as it deems appropriate in its sole business judgment, may modify or eliminate the Customer Center Services provided that it proportionally decreases the Call Center Fee rate and provides thirty (30) days' prior written notice to Franchisee. Call Center Fees (if any) shall be made at the same time and in the same manner as Royalty Fee payments.

4.7 Bookkeeping Fee. We require you, as of the Effective Date, to utilize the service of our approved third-party bookkeeper who we have designated to manage each franchisee's accounting and financial records. You must use a business bank and merchant bank that allows access by the third-party bookkeeper to view and print your transactions. On the first day of each month, the designated bookkeeping service shall invoice us directly for the succeeding month, for the entire franchise system. We shall invoice you directly and you shall pay your monthly bookkeeping service fee for the succeeding month to us, on demand, according to the monthly plan option that you select (Primer+, Satin, or High-Gloss), and your annual revenue amount, except that we will retain $15 per month for processing (the "Bookkeeping Fee"). All plans for the third-party bookkeeper service include online Quickbooks. At this time, the Bookkeeping Fee is as follows:

Annual Revenue up to:	Primer +	Satin	High-Gloss
$ 250,000	525	695	1295
$ 500,000	795	995	1395
$ 750,000	995	1295	1595
$ 1,000,000	1295	1495	1995
$ 2,000,000	1995	2195	2795
$ 3,000,000	---	2495	3195
$ 4,000,000	---	3395	3795
$ 5,000,000	---	---	4195
$ 6,000,000	---	---	4995
$ 7,000,000	---	---	5895
$ 8,000,000	---	---	6695
$ 9,000,000	---	---	7495

4.8 Noncompliance Fee. Instead of declaring a default under this Agreement due to violations of operating requirements, Franchisor may require you to pay a fee equal to Two Hundred Dollars ($200) per violation. Franchisee must pay any such fees on demand. The remedy described in this Section 4.9 may be utilized by Franchisor at its election and shall not be construed to deprive Franchisor of any other remedies specified in this Agreement or otherwise available at law or equity for any subsequent breaches of the same or any other contractual obligation. For example, if Franchisee engages in direct marketing in another franchisee's APR and provides services to customers located in that APR, then Franchisor may require Franchisee to pay to the other franchisee the expected profits received from performing services to customers recruited through such unauthorized direct marketing. In addition, the existence of this provision shall not be used to rebut an assertion of irreparable harm to Franchisor in an action to obtain an order restraining your breach of a covenant or requiring you to specifically perform an obligation you have undertaken in this Agreement.

4.9 Definitions of Gross Receipts and Periodic Fees. As used in this Agreement, "Gross Receipts" means the aggregate of all revenue that you receive from providing painting and minor renovation services or other services or goods that we implement as a standard or optional part of Klappenberger & Son customer offerings as received from all sources whether by cash, check, debit, credit, barter transaction, virtual currency or otherwise, plus all proceeds from any business interruption insurance, but excluding all refunds made in good faith and any sales and equivalent taxes which are collected by you for or on behalf of any governmental taxing authority. For purposes of reporting Gross Receipts, all revenues must be recorded upon receipt and any approved refunds to customers shall be deducted from revenues when the refund is tendered. As used in this Agreement, "**Periodic Fees"** means Royalties required by **Section 4.2** and other fees that may be required under **Section 4.4 through 4.7.**

4.10 Estimated Gross Receipts If Franchisee Does Not Report. If Franchisee fails to submit to Franchisor, by 12:00 p.m. Eastern Time on any Payment Date, a Statement of Gross Receipts for the prior Payment Period as required by Section 6.3(i), then the amount drawn against Franchisee's bank account, pursuant to Section 5.2, for the Periodic Fees will be 100% of the amount drawn for the previous Payment Period, as an estimate of that Payment Period's Periodic Fees that are based on a percentage of Gross Receipts.

4.11 Customer Service Fees. Franchisee must reimburse the Franchisor for the Franchisor's costs, including labor costs, material acquisition costs, and costs of driving, to service any of Franchisee's dissatisfied customers. Customer Service Costs are payable, when the next month's **Royalty Payment** is due.

5. PAYMENTS OF FEES; LATE PAYMENT

5.1 Payment of Periodic Fees. Franchisee shall pay to Franchisor, by 12:00 p.m. Eastern Time on each Tuesday following the Effective Date (each date a "Payment Date"), the Periodic Fees due to the Franchisor as a result of the Gross Receipts of the Business received for the applicable Payment Period (as defined below); provided, however, that the Bookkeeping Fee shall only be paid on the Payment Date that is the last Tuesday of each month. All Periodic Fees shall be nonrefundable when paid to Franchisor. If any Payment Date falls on a day on which commercial banks are authorized or required by law to close in the state where Franchisor maintains its principal place of business, such payment shall be made on the next day during which such commercial banks are open for business. For purposes herein, "Payment Period" shall mean the full calendar week preceding the Payment Date.

5.2 Automatic Bank Draft. Franchisee understands and agrees that Franchisor reserves the right and may require in its sole discretion that all Periodic Fees and other fees or contributions required to be paid to Franchisor hereunder be paid by automated bank draft or other reasonable means necessary to ensure payment of such fees are received by Franchisor. Franchisee agrees to comply with Franchisor's payment instructions and to execute such documents as Franchisor may request from time to time to provide Franchisee's unconditional and irrevocable authority and direction to its bank authorizing and directing Franchisee's bank to pay and deposit directly to the account designated by Franchisor all fees or contributions due to Franchisor hereunder. Franchisee promises to maintain sufficient funds in the account to cover amounts owed to Franchisor for Periodic Fees required hereunder, and Franchisee acknowledges that it will have reasonable notice and opportunity to deposit sufficient funds into the designated account to pay all invoices issued to it by Franchisor and also to pay the Periodic Fees. Once such a system is established, Franchisee must not close the account from which automated bank drafts are being withdrawn without Franchisor's consent.

5.3 Late Payments and Insufficient Funds. All overdue payments for Royalties, Brand Development Fund Contributions and other fees required to be paid hereunder shall bear interest from the date due at the rate of 1.5% per month, or the highest rate permitted by law, whichever is less. Interest shall accrue on all late payments regardless of whether Franchisor exercises its right to terminate this Agreement as provided for herein. In addition to its right to charge interest as provided herein, Franchisor may charge Franchisee a $50.00 insufficient funds fee for each check, automated bank draft payment, or other payment method that is not honored by Franchisee's financial institution.

5.4 Payment of Minimum Annual Royalties Deficiency. At the end of any calendar year for which Minimum Royalties are required, Franchisor may calculate Franchisee's

Royalties payments during the year just ended and, if that total does not equal or exceed the applicable Minimum Royalty specified in **Section 4.3** above, then Franchisor may invoice Franchisee for that payment deficiency which deficiency invoice Franchisor may deliver through electronic means customarily used for written communications between Franchisor and Franchisee (e.g., electronic mail). Franchisee must pay any deficiency invoice by May 15 of the year in which it is issued. The procedure for payment of any Minimum Royalties deficiency for a
year in which the parties do not sign a successor agreement, or in which Franchisor terminates this Agreement for cause, is as set forth in **Section 4.3.**

5.5 Application of Payments. Notwithstanding designation by Franchisee to the contrary, all payments made by Franchisee hereunder will be applied by Franchisor at its discretion to any of Franchisee's past due indebtedness

6. RECORDS, REPORTS AND AUDITS

6.1 Bookkeeping and Accounting Records. Franchisee must establish and maintain bookkeeping, accounting and financial records for the Business conforming to such requirements as are prescribed by Franchisor in the Manual (as defined below) from time to time (the "Accounting Records"). To the extent that Franchisor requires that its franchisees use a computerized bookkeeping or accounting system, and estimating systems, Franchisee agrees to utilize such systems, pay all reasonable fees charged by Franchisor or others for the use of such systems, purchase or lease all computer hardware and software required for such systems, and permit Franchisor to access such records by computer from a remote location. Franchisee acknowledges and agrees that if Franchisor is required or permitted by statute, rule, regulation or any other legal requirement to disclose any information regarding Franchisee or the operation of the Business, including, without limitation, earnings or other financial information, Franchisor shall be entitled to disclose such information. In addition, Franchisee hereby expressly permits Franchisor to disclose any such information to potential purchasers (and their employees, agents, and representatives) of Franchisor or the Business in connection with the sale or transfer of any equity interests or assets of Franchisor, Franchisee or the Business, or any merger, reorganization or similar restructuring of Franchisor.

6.2 Business Records. Franchisee agrees to establish and maintain a record-keeping system for the Business conforming to such requirements as are prescribed by Franchisor in its Manual from time to time (the "Business Records"). Among other things, such record-keeping systems shall include a complete record of purchase orders for materials, all work performed in connection with the Business (including customer leads, copies of all estimates, proposals and contracts), a complete listing of all worked performed by any sub-contractors of Franchisee (including copies of all contracts, invoices or statements), and all customer contact and service records. Franchisee agrees that Franchisor may access such data at all times during the Term and for up to three (3) years after its termination or expiration. All estimates for work, whether for residential, commercial or governmental contracts, must be entered into our estimating system. Failure to input any estimates is a default of this Franchise Agreement.

6.3 Financial Reports. Franchisee must provide Franchisor with those financial reports required by Franchisor from time to time (the "Financial Reports"). Franchisee's current reporting obligations include the following:

(i) A statement of Gross Receipts for the prior Payment Period, in the form required by Franchisor to be delivered by no later than by 12:00 p.m. Eastern Time on the Payment Date;

(ii) Annual financial statements compiled by an independent certified public accountant in a form satisfactory to Franchisor, which shall include a statement of income and retained earnings, a statement of cash flows, and a balance sheet of Franchisee, all for the fiscal year then ended and due to Franchisor by no later than April 15 of each year for the prior completed year; and

(iii) An annual copy of Franchisee's signed corporate or partnership tax form or Schedule C federal tax filing form concerning the Business as filed with the Internal Revenue Service (or any forms which take the place of those forms), and all other federal, state and local sales and income tax reports that Franchisee is required to file relating to the Business, all to be delivered within 30 days after filing.

If any of the reports or other information required to be given to Franchisor in accordance with this Section are not received by Franchisor by the required deadline, Franchisor may charge

Franchisee a late submission fee equal to $50.00 per month, up to a maximum of $500.00 for each report that is not submitted.

6.4 Audit and Inspection.

(i) Franchisor, through its employees and any agents designated by Franchisor from time to time, may at any time during business hours, on not less than eighteen (18) hours' notice to Franchisee, enter and inspect the assets used in connection with the Business and examine the Accounting Records, Business Records, all Financial Reports that Franchisee is required to submit under **Section 6.3** (including, but not limited, to all tax returns concerning the Business), as well as all documents relating thereto, and any other information, records, and property relating to the ownership, management or operation of the Business, to determine whether Franchisee has complied with the terms of this Agreement. Franchisor shall also have the right to make video recordings, photograph or otherwise record the operation of the Business (including in service at any customer work sites) as part of any such inspection. Franchisee shall cooperate with Franchisor in any such inspection and shall make Franchisee's personnel and assets available to Franchisor as may be necessary to carry out such inspection.

(ii) Any such inspection shall be made at Franchisor's expense, provided that if such inspection is necessitated by Franchisee's repeated or continuing failure to comply with any provision of this Agreement, Franchisor may charge Franchisee for the costs of making such inspection, including without limitation the cost of travel, meals and lodging for, and compensation of, Franchisor's employees and agents.

(iii) Without limiting the foregoing, Franchisor may audit or cause to be audited any statement Franchisee is required to submit pursuant to **Section 6.3,** and Franchisor may review, or cause to be reviewed, the records maintained by any bank or other financial institution used by Franchisee in connection with the Business. If any such audit or review discloses an understatement of the Gross Receipts for any period or periods, Franchisee shall pay to Franchisor, upon demand for payment, all additional Royalties, Brand Development Fund Contributions, Periodic Fees or other amounts required to be paid based upon the results of such audit or review, plus interest from the date such amount was due until paid at the rate of 1.5% per month or the maximum rate permitted by law, whichever is less.

(iv) In addition, if such understatement for any period or periods is three percent (3%) or more of the Gross Receipts for such period or periods, Franchisee shall reimburse Franchisor for the cost of such audit or review, including without limitation the charges of any independent accountant and the cost of travel, meals and lodging for, and compensation of, such accountant and employees or other agents of Franchisor; provided that such reimbursable costs shall not exceed Ten Thousand Dollars ($10,000). Moreover, in addition to any other rights it may have, Franchisor may conduct such further periodic audits and/or examinations of Franchisee's books and records as Franchisor reasonably deems necessary for up to two years thereafter and require Franchisee to pay the costs for such further audits and/or examination as described herein.

(v) In order to verify the information supplied by the Franchisee, Franchisor may reconstruct Franchisee's sales through any reasonable method of analyzing and reconstructing sales. Franchisee agrees to accept any such reconstruction of sales unless Franchisee, within 14 days from the date of the notice of understatement or variance, provides evidence of Franchisee's sales during the relevant period in a form satisfactory to Franchisor.

(vi) The foregoing remedies shall be in addition to any other remedies Franchisor may have, and this **Section 6.4** shall survive the expiration or any earlier termination of this Agreement.

6.5 Credit and Trade References. Franchisee hereby authorizes Franchisor to make inquiries of Franchisee's bankers, supplies and other trade creditors as to their dealings with Franchisee in relation to the Business, to discuss the affairs, finances and accounts of the Business and to obtain information and copies of statements or invoices relating to the Business. By its execution hereof, Franchisee authorizes and directs such bankers, suppliers and other trade creditors to discuss with Franchisor the affairs, finances and accounts of the Business. Moreover, Franchisee agrees, upon the request of Franchisor, to execute and deliver such documents as are required to permit such bankers, suppliers or other trade creditors to release or disclose any such information or other documents to the Franchisor.

7. OPERATING MANUAL

During the term of this Agreement, Franchisor will loan to Franchisee one copy of, or provide Franchisee with electronic access to, Franchisor's confidential training and business

operations manual (the "Manual"), which may consist of printed training and operating materials, computerized documents or software, information provided through a password-protected portion of the Internet (i.e., an "intranet" or "extranet"), audio or video recordings, or other media that Franchisor adopts periodically for use with the System and designates as part of the Manual. The Manual will contain information and specifications concerning the mandatory standards and specifications for the development and operation of the Business and any other information and advice Franchisor may periodically provide to its franchisees. Franchisor may update and change the Manual periodically to reflect changes in the System and the operating
requirements applicable to Businesses, and Franchisee expressly agrees to comply with each requirement within such reasonable time as Franchisor may require, or if no time is specified, within 30 days after receiving notification of the requirement. The cost of implementing changes, updates or modifications to the System as called for in the Manual shall be borne exclusively by Franchisee; provided, however, that in the event that the costs of such changes are equal to or greater than 10% of the previous year's gross sales, Franchisee may at Franchisee's discretion terminate this Agreement within 30 days following receipt of the notice of the requirement. Franchisee must at all times ensure that its copy of the Manual and any other confidential materials supplied by Franchisor to Franchisee are kept current and up to date. Franchisee promises to keep any printed Manual in a secure location at the Business, to restrict employee access to the Manual on a need to know basis, and to take reasonable steps to prevent unauthorized disclosure or copying of any information in any printed or computerized Manual. If Franchisor and Franchisee have any disagreement about the most current contents of the Manual, Franchisor's master copy of the Manual will control. Upon the expiration or termination of this Agreement for any reason,

Franchisee must return all copies of the Manual to Franchisor, and upon Franchisor's request, certify to Franchisor that Franchisee has not kept any copies in any medium. The Manual is confidential, copyrighted and Franchisor's exclusive property. The term copyrighted means all media, whether now known or hereinafter invented, by all means, methods, and processes, whether now known or hereinafter invented, included complete and entire rights to derivative and interactive works.

8. MODIFICATIONS OR IMPROVEMENTS TO THE SYSTEM

8.1 Modification by Franchisor. Franchisee recognizes and agrees that from time to time hereafter, Franchisor shall change, modify or improve aspects of the System, including, without limitation, changes and additions to the Authorized Services, modifications to the Manual, equipment, tools, software, processes and systems to support the business, the signage, the presentation and usage of the Marks, and the adoption and use of new, modified or substituted Marks or other proprietary materials. Franchisee agrees to accept, use and/or display for the purposes of this Agreement any such changes, modifications or improvements to the System, including, without limitation the adoption of new, modified or substituted Marks, as if they were part of the System as of the Effective Date, and Franchisee agrees to make such expenditures as such changes, modifications or improvements to the System may require. For purposes of this Agreement, all references to the System shall include such future changes, modifications and improvements. Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in this Agreement.

8.2 Modification by Franchisee. If Franchisee develops any new modification, concept, process, improvement or slogan in the operation or promotion of the Business or to the System, the same shall be deemed a work made for hire, and Franchisee shall promptly notify Franchisor of, and provide Franchisor with all necessary information, regarding such modification, concept, process, improvement or slogan. Franchisee acknowledges that any such modification, concept, process, improvement or slogan shall become Franchisor's exclusive property and that Franchisor may use or allow other franchisees to use the same in connection with the System or the operation of Businesses. Franchisor will disclose to Franchisee any changes and innovations in the Businesses developed by other franchisees or by Franchisor's affiliates, to the extent that Franchisor decides to implement such innovations as part of the System.

9. OBLIGATIONS OF FRANCHISEE

Franchisee recognizes the mutual benefit to Franchisee, Franchisor and other franchisees of the System of the uniformity of the services, advertising and image of the System and acknowledges and agrees that such uniformities are necessary for the successful operation of Businesses. To this end, Franchisee covenants and warrants with respect to the operation of the Business that Franchisee and its employees and agents will comply with all of the requirements of the System and will throughout the term of this Agreement do as follows:

(i) Operate Within Standards. Franchisee must operate the Business and sell and offer all services in accordance with the specifications, standards, business practices and policies of Franchisor now in effect or hereafter promulgated, and comply with all requirements of Franchisor, the System and the Manual as they are now or hereafter established. Franchisor and its duly authorized representatives shall have the right, if they so elect, at all reasonable times, to inspect customer work sites to ensure that Franchisee is complying with the System. Franchisee shall, at all times, cooperate with Franchisor in Franchisor's implementation and management of the System. Franchisee shall also remain in contact with Franchisor by returning Franchisor's telephone calls, e-mails and texts within twenty-four (24) hours.

(ii) Management. An individual who owns at least fifty percent (50%) of Franchisee's equity and has completed the initial training program described in **Section 14.1** below (the "Principal Owner") must devote his or her full-time efforts to the management of the day-to-day operation of the Business for at least the first six (6) months of operations. Upon the expiration of the first six (6) months of operations, the Principal Owner may appoint an individual to replace him, so long as such individual has completed the initial training program described in **Section 14.1** below (the "Designated Manager"). The operations of Franchisee shall always be under the direct supervision of a Principal Owner or Designated Manager. "Full-time" means the expenditure of at least forty (40) hours per week, excluding vacation, sick leave and similar absences. Franchisee must keep Franchisor informed of the identity of its Designated Manager and, absent extraordinary circumstances, must obtain Franchisor's written consent before appointing a new Designated Manager. In addition, if monthly revenues of the Business decline by 15 percent or more (as compared to same months of operation in the previous year) for three consecutive months, Franchisor may require the Principal Owner to resume the day-to-day management of the business until current monthly revenues meet or exceed the revenues generated during the same months of the previous year.

(iii) Vehicles. Purchase, lease or obtain the use of a sufficient number of branded motor vehicles (each of which is a "Vehicle") needed to perform the Authorized Services and meet actual customer demand. Each Vehicle must comply with Franchisor's requirements as to make and model, as set forth in the Manual or in other directives from Franchisor, and shall be decorated in accordance with, and equipped with inventory, tools and supplies complying with, Franchisor's specifications, all at Franchisee's sole cost and expense. Franchisee acknowledges
that the Franchisor owns all copyright and trademark rights to the look, feel, and decorative scheme of the Vehicles, Franchisee shall not permit the Vehicles to be operated at any time other than in connection with performing Authorized Services.

(iv) Maintenance. Franchisee must maintain at all times, at its expense, the Business' Vehicles, the machinery, equipment and tools used in the Business (the "Tangible Assets") in an excellent, clean, and safe condition. Franchisee shall promptly make all repairs and replacements thereto as may be required to keep the Tangible Assets in the highest degree of safety, repair and condition and to maintain maximum efficiency and productivity, and to remain in compliance with Franchisor's standards. If Franchisor changes its image or standards of operation with respect to the Tangible Assets, Franchisee expressly agrees to comply with each change within such reasonable time as Franchisor may require, or if no time is specified, within 30 days after receiving notification of the change. The cost of replacing the Tangible Assets shall be borne exclusively by Franchisee.

(v) Comply with All Applicable Laws. Franchisee must comply with all applicable laws, rules, ordinances and regulations that affect or otherwise concern the Business or the Vehicles, including, without limitation, vehicle registration, home improvement contracting, zoning, fire and safety, security, fictitious name registrations, sales tax registration, environmental regulations, and health and sanitation. Franchisee will be solely responsible for obtaining any and all licenses and permits required to operate the Business and maintaining records demonstrating such compliance. Franchisee must immediately forward to Franchisor any inspection reports or correspondence stating that Franchisee is not in compliance with any such laws, rules, ordinances and regulations. Franchisee must notify Franchisor in writing within ten (10) days of the commencement of any action, suit or proceedings and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, against Franchisee or any of Franchisee's properties, or of which Franchisee becomes aware, which may adversely affect the Franchisee's financial condition or ability to meet its obligations hereunder.

(vi) Vendor Relationships. Franchisee must maintain excellent vendor relationships and, absent a bona fide dispute that Franchisee is actively addressing with the vendor, promptly pay amounts owed to vendors within the time required by vendor agreements.

(vii) Employment Relationships. Franchisee must employ sufficient qualified employees to operate the Business at its maximum capacity and efficiency; require all employees of the Business to wear apparel conforming to the specifications, design, and standards Franchisor may designate in the Manual or otherwise; require all employees of the Business to conduct themselves at all times in a competent and courteous manner and render competent,

sober and courteous service to customers of the Business; and pay all taxes attributable to the employment relationship required by federal, state and local laws, including withholding amounts from employees' paychecks as required by such laws. Other than requiring maintenance of these general standards Franchisor shall have no control over Franchisee's employees. Franchisee shall be solely responsible for all employment decisions and functions of the Business, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record keeping, supervision and discipline of employees, and shall not request from Franchisor or expect to receive from Franchisor, and Franchisor shall not provide Franchisee, with any advice on these subjects; provided, however, that Franchisee must process its payroll through a reputable third party provider that is either approved by or designated by Franchisor. Franchisee must indemnify, defend, reimburse and hold Franchisor harmless from any direct and indirect losses, costs and expenses, including attorney's fees, arising out of any claim made by or for the benefit of any employee of Franchisee against Franchisor regarding employment decisions and employee functions of the Business including, without limitation, those related to hiring, firing, training, wages and hour requirements, taxes, record keeping, supervision, health and welfare benefits, as well as discipline of employees. Franchisee also shall be responsible for ensuring that any subcontractors to whom it assigns painting or minor home improvement work comply with the employment-related obligations set forth in this paragraph, and are licensed, bonded and insured under the laws of the state in which the subcontractor performs work for the Franchisee.

(viii) Customer Service. Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created hereby. Therefore, Franchisee must endeavor at all times give prompt, courteous and efficient service to customers of the Business. The Business must, in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle a customer complaint, Franchisor has the right to intervene and satisfy the customer. Franchisee shall promptly reimburse Franchisor for all costs incurred by Franchisor in providing or arranging service for a customer of the Franchised Business pursuant to this paragraph. Franchisor may terminate this Agreement if Franchisee violates this **Section 9**(viii) more than two (2) times in any twenty four (24) month period.

(ix) Approved Suppliers and Specifications. Franchisee must use only those supplies, equipment, Vehicles, and tools (collectively, "Supplies") that conform to the standards and specifications designated by Franchisor in the Manual or otherwise. Franchisor will provide Franchisee with a list of Supplies needed to operate the Business and a list of Franchisor's approved suppliers or brands of supplies in the Manual or otherwise in writing or electronic format. From time to time, Franchisor may designate additional, or remove, approved suppliers, including itself or its affiliates, whose enumerated Supplies shall be deemed to satisfy Franchisor's standards. Unless otherwise required by Franchisor, or if Franchisor designates an exclusive designated supplier, Franchisee may purchase any and all Supplies from any available source, so long as such items conform to any applicable standards and specifications established by Franchisor. If Franchisor designates itself as a supplier, Franchisor has the right to earn a profit on any items it supplies. Franchisor and its affiliates may receive payments, discounts or other consideration from suppliers in consideration of such suppliers' dealings with Franchisee and/or the system of Klappenberger & Son franchisees, and may use all amounts received by it without restriction. Franchisor is not required to give Franchisee an accounting of supplier payments or to share the benefit of supplier payments with Franchisee or other Klappenberger & Son franchisees. Moreover, Franchisee acknowledges and agrees that Franchisor will not be liable for any losses (financial or otherwise) or damages including consequential or special damages, resulting from any delay in delivery or availability of any Supplies designated by Franchisor, unless Franchisor promises in writing that a category of Supplies will be delivered within a specific time frame. In order to obtain Franchisor's approval for Supplies, suppliers or brands not included on any list provided by Franchisor to Franchisee, Franchisee must submit to Franchisor such information, specifications and samples as Franchisor reasonably requires in order for Franchisor to evaluate Franchisee's proposed supplier. While Franchisor is under no obligation to approve any such request, Franchisor will inform Franchisee within sixty (60) days of receiving all required information whether Franchisee's proposed supplier has been approved. Franchisor may revoke its approval of any supplier effective immediately upon Franchisor's providing notice to Franchisee

FRANCHISOR MAKES NO WARRANTIES OR REPREPSENTATIONS REGARDING THE PRODUCTS AND SERVICES OF ANY APPROVED SUPPLIER. FRANCHISOR DISCLAIMS THE IMPLIED WARRANTY OF MERCHANTIBILITY, AND THE IMPLIED WARRANTY FO FITNESS FOR A PARTICULAR PURPOSE REGARDING

ANY EQUIPMENT, PRODUCT, OIR SERVICE PROVIDED BY ANY THIRD PARTY SUPPLIER.

(x) Signage and Branding. Franchisee must prominently display the name "Klappenberger & Son" at any site where Authorized Services are being performed and motor vehicles owned or leased by Franchisee and used in connection with the Business, using signs, decals or paint patterns, of such nature, form, color, number, location and size, and containing such material as Franchisor may from time to time reasonably direct or approve in writing; and not display on any of such motor vehicles or real estate any sign, decal or advertising media of any kind to which Franchisor reasonably objects. Franchisor or its authorized representatives may at any time during normal business hours inspect the motor vehicles or the exterior of any customer work sites and remove any objectionable signs, decals or advertising media.

(xi) Limitation on Product Offerings and Pricing. Franchisee may sell or offer only those services specified by Franchisor from time to time in the Manual or otherwise. To the extent permitted by applicable law, Franchisor may from time to time set minimum and maximum price levels to be charged by Franchisee for the Authorized Services, and Franchisee shall abide by any and all pricing set by Franchisor; provided that Franchisee has received at least thirty (30) days' prior written notice of any pricing change or requirement.

(xii) Promotional Participation. Franchisee must participate in all national, regional or local advertising and promotional activities Franchisor requires. Franchisee understands that Franchisor may implement promotions such as discount coupons and other activities intended to enhance customer awareness for Businesses on a national, regional or local level. Franchisee understands that its participation in these programs is essential to its success and that its participation may entail some cost to Franchisee. Franchisee agrees that Franchisor has no obligation to reimburse Franchisee for any costs it incurs due to its mandatory participation in these special promotional programs.

(xiii) Sub-contractors. Franchisee agrees to cause any third party sub-contractors engaged by Franchisee to perform work on behalf of Franchisee in respect of the Franchised Business to comply with all applicable requirements of this **Section 9**, including but not limited to the quality and performance standards required of Franchisee, as well as the insurance requirements set forth in **Section 17.2** herein.

10. INFORMATION TECHNOLOGY

10.1 Technological Requirements. Franchisee, at its expense, must purchase and use a business management and accounting software designated by Franchisor (the "IT System"). Franchisee acknowledges that Franchisor may, in its reasonable business judgment, require Franchisee to use a proprietary business management and/or accounting software as the IT System. Franchisee must enter all estimates, sales and other information Franchisor requires in the IT System. Franchisee, at its expense, must maintain the IT System in good working order through a vendor designated by Franchisor to provide technology support and service. Franchisor will require third party administrative access to all information and data stored on the IT System. In addition to the IT System, Franchisee, at its expense, must equip the Business with the computer hardware and software that Franchisor specifies periodically and maintain access to the Internet, including at least one desktop or portable laptop computer that has sufficient computing power to operate the IT System. In addition, Franchisee must maintain a cellular telephone with text and email capabilities for in-field communications and a telecommunications services contract allowing virtually continuous data connectivity.

EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, FRANCHISOR MAKES NO WARRANTIES, EXPRESS OR IMPLIED, REGARDING ANY INFORMATION TECHNOLOGY LICENSED TO, SOLD TO, OR USED BY THE FRANCHISEE, AND FRANCHISOR DISCLAIMS ALL WARRANTIES, INCLUDING IMPLIED WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY AND FITNESS FOR PARTICULAR PURPOSE, THE IMPLIED WARRANTY OF QUALITY OF COMPUTER PROGRAMS, THE IMPLIED WARRANTY OF ACCURACY OF INFORMATIONAL CONTENT, AND THE IMPLIED WARRANTY OF SYSTEM INTEGRATION OR WARRANTIES ARISING BY STATUTE, COURSE OF DEALING, CUSTOM OR USAGE, TRADE PRACTICE OR OTHERWISE ARE HEREBY EXPRESSLY DISCLAIMED. FRANCHISOR MAKES NO WARRANTIES THAT ANY THIRD PARTY INFORMATION TECHNOLOGY OR SOFTWARE USED BY, LICENSED TO, OR SOLD TO THE FRANCHISEE WILL BE FREE OF BUGS, TROJAN HORSES, WORMS, SPYWARE, OR MALWARE. NO ORAL OR WRITTEN INFORMATION OR ADVICE GIVEN BY FRANCHISOR REGARDING INFORMATION TECHNOLOGY OR SOFTWARE SHALL CREATE A WARRANTY OR IN ANY WAY INCREASE THE SCOPE OF FRANCHISOR'S OBLIGATIONS HEREUNDER.

10.2 Data Ownership. Franchisee agrees that all data that it collects from customers and potential customers in connection with the Business ("Customer Data") is deemed to be owned exclusively by Franchisor, and Franchisee also agrees to provide the Customer Data to Franchisor at any time that Franchisor requests. Franchisor's ownership rights to Customer Data are in all media, whether now known or hereinafter invented, by all means, methods, and process, whether now known or hereinafter invented, including complete and entire interactive rights and rights to derivative works. All such Customer Data shall be a "work for hire". Franchisee has the right to use Customer Data while this Agreement or a successor or renewal Franchise Agreement is in effect, but only in connection with operating the Business and only in accordance with the policies that Franchisor establishes from time to time.

However, while this Agreement or a successor is in effect, Franchisor shall not utilize the Customer Data to compete with Franchisee, either directly or indirectly. Franchisee may not sell, transfer, or use Customer Data for any purpose other than operating the Business and marketing "Klappenberger & Son" brand services and products. However, if Franchisee Transfers the Business (as provided in **Section 18** below), Franchisee also must Transfer use of the Customer Data to the buyer as part of the total purchase price paid for the Business.

10.3 Data Security. Franchisee agrees to abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("Privacy Laws"). Franchisee agrees to comply with Franchisor's standards and policies pertaining to Privacy Laws. If there is a conflict between Franchisor's standards and policies pertaining to Privacy Laws and actual applicable law, Franchisee shall: (i) comply with the requirements of applicable law; (ii) immediately give Franchisor written notice of said conflict; and (iii) promptly and fully cooperate with Franchisor and its counsel in determining the most effective way, if possible, to meet Franchisor's standards and policies pertaining to Privacy Laws within the bounds of applicable law. Franchisee agrees not to publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent as to said policy.

10.4 Credit Card and Electronic Payments Processing. At all times, Franchisee must maintain relationships with any credit- and debit-card issuers or sponsors and electronic-funds-transfer systems that Franchisor designates as mandatory, and Franchisee must not use any such services or providers for which Franchisor has revoked its approval. Franchisor has the right to modify its requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke its approval of any service provider. Franchisee must comply with all credit-card policies prescribed in the Manual. Franchisee must comply with the Payment Card Industry Data Security Standards as they may be revised and modified by the Payment Card Industry Security Standards Council (see www.pcisecuritystandards.org), or such successor or replacement organization and/or in accordance with other standards as Franchisor may specify.

11. ADVERTISING

11.1 Grand Opening. Franchisee, at its sole expense, must develop and implement a grand opening promotion campaign approved by Franchisor to introduce or (if Franchisee is purchasing an existing Business) to re-introduce the Business to the public to be launched upon training completion. Franchisee is required to spend a minimum of $8,000 commencing upon training and continuing thereafter for the first three (3) months of the grand opening promotion. Franchisor will provide Franchisee with assistance in planning the grand opening promotional campaign and will review all marketing or advertising programs and materials. To the extent Franchisor has developed or approved marketing or advertising programs and materials for the Business's grand opening, Franchisee must use such programs and materials.

11.2 Brand Development Fund. During the term hereof, Franchisor will require Franchisee to pay to Franchisor, or such other entity designated by Franchisor, the Brand Development Fund Contribution established under **Section 4.4** herein, which amount shall be used by the Brand Development Fund (as such term is hereinafter defined). The Brand Development Fund Contribution shall be the same for all businesses providing the Authorized Services.

(i) The Brand Development Fund Contribution will be expended for the benefit of Franchisor, Franchisee and all other franchisees of the System for such advertising, promotion or public relations materials, services or events as Franchisor deems necessary or appropriate, in its sole discretion (the "Brand Development Fund"). The expenditure of such funds is at all times to be under the control of, and in the discretion of, Franchisor or such other entities designated by Franchisor. Franchisee understands and acknowledges that the Brand Development Fund is intended to maximize and support general public recognition, brand identity, sales and patronage of Businesses for the benefit of all Businesses and that Franchisor undertakes no obligation to ensure that the Brand Development Fund benefits each Business in proportion to its respective contributions. Franchisee agrees that all funds contributed to the Brand Development Fund may be used to meet any and all costs of developing, maintaining, administering, directing and preparing national, regional or local advertising materials, programs and public relations activities including, without limitation, the costs of preparing and conducting television, radio, magazine, billboard, newspaper, direct response literature, direct mailings, brochures, collateral advertising material, implementing websites for Franchisor and/or its franchises, surveys of advertising effectiveness and other media programs and activities, employing advertising agencies to assist therewith and providing promotional brochures, decals and other marketing materials. Franchisor also may use Brand Development Fund Contributions to conduct consumer-oriented market research; facilitate referral relationships with key referral sources or customer lead generation services; or conduct customer satisfaction surveys. Notwithstanding the foregoing, Franchisor agrees that the Fund's assets shall not be used to create, design or disseminate advertising or promotional materials that are primarily intended, or whose principal effect

(ii) The Brand Development Fund will not be Franchisor's asset, a financial statement of its operations will be prepared annually, and Franchisee may obtain a copy of the financial statement within a reasonable time of requesting it from Franchisor. The Brand Development Fund shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable salaries, administrative costs and overhead as Franchisor may incur in activities reasonably related to the administration or direction of the Brand Development Fund and its programs (including, without limitation, conducting market research, preparing advertising and promotional materials, legal fees and other expenses incurred to collect and account for Brand Development Fund Contributions, paying for the preparation and distribution of financial statements, taxes, and other reasonable direct and indirect expenses incurred by Franchisor or its authorized representatives in connection with programs funded by the Brand Development Fund). Franchisor may spend in any fiscal year more or less than the aggregate contribution of all Businesses to the Brand Development Fund in that year, and the Brand Development Fund may borrow from Franchisor or others to cover deficits or invest any surplus for future use. Any lender loaning money to the Brand Development Fund shall receive interest at a reasonable rate. All interest earned on monies contributed to the Brand Development Fund will be used to pay advertising costs before other assets of the Brand Development Fund are expended. Franchisor may cause the Brand Development Fund to be incorporated or operated through a separate entity at such time as Franchisor may deem appropriate, and such successor entity, if established, will have all rights and duties specified in this Section 11.2. Franchisor will not be liable for any act or omission with respect to the Brand Development Fund that is consistent with this Agreement and done in good faith. Except as expressly provided in this Section 11.2, Franchisor shall have no direct or indirect liability or obligation to Franchisee with respect to the maintenance, direction or administration of the Brand Development Fund. Franchisee acknowledges and agrees that Franchisor is not operating or acting as a trustee or fiduciary with respect to the Brand Development Fund Contributions collected. Franchisee agrees to participate in any promotion, marketing or advertising campaigns created by the Brand Development Fund. Franchisor may reduce contributions of franchises to the Brand Development Fund and upon notice to Franchisee, reduce the Brand Development Fund's operation or terminate the Brand Development Fund and distribute unspent monies to those contributing franchisees in proportion to their contributions in the past.

(iii) Once ten (10) or more Businesses are established and operating, Franchisor may require its franchisees to form an advisory board (the "Council") to provide advice and counsel regarding Franchisor's use of Brand Development Fund Contributions. Such Council shall function in an advisory capacity and shall not exercise any authority over the Brand Development Fund or over Franchisor. When such a Council is formed, Franchisee must participate in council-related activities, pay any dues assessed for the administration of that program, and pay Franchisee's own expenses associated with participating in Council activities.

11.3 Regional Cooperative. INTENTIONALLY DELETED.

11.4 Local Advertising. Franchisee acknowledges and agrees that to effectively compete within the Area of Primary Responsibility (APR), Franchisee must undertake and execute an extensive marketing and advertising program designed to promote the Business within the Area of Primary Responsibility. Therefore, in addition to making contributions to the Brand Development Fund, Franchisee shall, at Franchisee's cost and expense, market, advertise and promote the Business in the Territory and shall:

(i) market, advertise and promote the Business in the Territory only in a manner that will reflect favorably on Franchisor, Franchisee, the services and products offered by Franchisee, and the good name, goodwill and reputation of Franchisor and the Business; and

(ii) not use any advertising or other marketing or promotional materials furnished by Franchisor or containing any of the Marks for a purpose other than to market and promote the Business.

In addition to contributions to the Brand Development Fund, Franchisee shall spend on local advertising (by way of direct promotion) a minimum of $1,500 per month, throughout the remainder of the term. Such advertising must be directed to and intended to reach people who reside within the Area of Primary Responsibility (APR). For each calendar quarter, Franchisee must provide to Franchisor an accounting of Franchisee's expenditures on local advertising within thirty (30) days after the end of such calendar quarter.

The amount of advertising funds expended by Franchisee for individual local market advertising shall be determined by Franchisee, subject to the foregoing minimum requirement. Unless specifically approved by Franchisor in advance and in writing, local advertising expenditures shall not include incentive programs, including, without limitation, costs of honoring coupons or costs of honoring sales promotions, nor shall it include salaries, signage on or within the Vehicles or at work sites, or charitable contributions or donations separate from approved Klappenberger Kares™ events.

11.5 Approval of Advertising. Any and all advertising and marketing materials not prepared or previously approved by Franchisor shall be submitted to Franchisor at least 14 days prior to any publication or run date for approval. Franchisor may grant or withhold its approval of proposed advertising for any reason or no reason. Franchisor will provide Franchisee with written notification of its approval or disapproval within a reasonable time. In the event Franchisor does not notify Franchisee of its approval or disapproval within 10 days of Franchisor's receipt of the materials, the materials shall be deemed approved. However, Franchisee must discontinue the use of any approved advertising within five days of Franchisee's receipt of Franchisor's request to do so. No advertising or promotion by Franchisee shall be conducted on or through the Internet/world wide web or other electronic transmission via computer (including without limitation any social media) without express prior written approval by Franchisor. Such approval may be conditioned upon using only Franchisor's approved vendors. All advertising and promotion by Franchisee must be factually accurate and shall not detrimentally affect the Marks or the System, as determined in Franchisor's sole discretion.

11.6 Ownership of Advertising Materials. Franchisee acknowledges and agrees that Franchisor is the sole and exclusive owner of all copyrights in any and all marketing, advertising or promotional materials made available to Franchisee which have been prepared by or on behalf of Franchisor or contain any of the Marks and that such materials shall at all times remain the exclusive property of Franchisor. Franchisee shall not at any time transfer such materials to any third party without Franchisor's prior written consent. Franchisee also is responsible for making sure that all advertising materials created for its use that contain the Marks are considered "works made for hire" for which copyright is not owned and may not be claimed by the party that created the advertising. The term copyright rights shall mean all media, whether now known or hereinafter invented by all means, methods, and processes, whether now known or hereinafter invented, including complete and entire interactive rights and rights to derivative works.

12. COUNSELING AND ADVISORY SERVICES AND ONSITE ASSISTANCE

Subject to **Section 13.1,** during the term of this Agreement Franchisor will, as requested by Franchisee, furnish a reasonable level of general counseling and advisory services to Franchisee regarding: (i) vendor selection and purchasing; (ii) equipment installation and maintenance; (iii) employee selection and training; (iv) advertising and promotion; (v) bookkeeping and accounting; and (iv) new developments and improvements to the System. These counseling and advisory services shall occur at Franchisor's offices or via telephone or email. Further, Franchisor may visit the Premises to ensure compliance with operational standards and promises to do so no less than once annually during the first two (2) years of the Term. In addition, if either requested by Franchisee and Franchisor's personnel are available, or if Franchisor deems it necessary due to Franchisee's lack of compliance with operational standards, Franchisor may provide such general onsite assistance and training at the Business, however, Franchisor will charge a fee of $400 per day for each trainer sent on-site to the Business, plus all out of pocket travel, lodging and meal expenses incurred by Franchisor's trainers in rendering such assistance. Franchisor shall only be liable to Franchisee for acts of gross negligence or willful misconduct in connection with providing or failing to provide such services.

13. TRAINING

13.1 Initial Training. Before the Business may open for business, Franchisee (if an individual person) or its Designated Manager must attend and successfully complete to the satisfaction of Franchisor, the initial management training program specified by Franchisor in Item 11 of its Klappenberger & Son Franchise Disclosure Document. No fee will be charged by Franchisor for the participation of up to two (2) individuals in the training program, however, the

Franchisee shall be responsible for the costs and expenses (such as transportation, lodging, meals and compensation) of each person who attends the training. The Business must at all times be managed by a person who has successfully completed the initial training program.

If Franchisee is required from time to time by the terms hereof to send more than two (2) individuals, as aggregated during the Term and any renewal period, to the initial training program so that such persons can qualify as a Designated Manager, Franchisee shall pay $250 per day each individual to Franchisor prior to the commencement of the initial training program.

13.2 Failure to Complete Initial Training Program. If Franchisor determines in its business judgment, that the Franchisee (or its principal owner) or its Designated Manager is unable to satisfactorily complete the training program described above or is generally unsuitable to be a Franchisee, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 13.2, Franchisor shall return to Franchisee the Franchise Fee paid by Franchisee less $15,000 upon Franchisor's receipt of a general release the same as, or substantially similar to, Franchisor's standard form General Release attached as SCHEDULE 1.

13.3 Employee Training. Franchisee shall implement a training program approved by Franchisor for employees of the Business and shall be responsible for the proper training of its employees. Franchisee agrees not to employ any person who fails or refuses to complete Franchisee's training program or is unqualified to perform his or her duties at the Business in accordance with the requirements established for the operation of a Business. If Franchisor has reasonable belief that Franchisee cannot provide adequate training for its employees, Franchisor retains the right to provide such training and Franchisee shall pay to Franchisor $400 per trainer, plus each trainer's travel, lodging expenses and other related expenses.

13.4 Additional Training.

(i) Franchisee may have representatives of Franchisor provide additional training within Franchisee's APR, provided that Franchisee schedules such additional training at a time reasonably convenient for Franchisor and pays Franchisor a fee of $400 per trainer per day, plus each trainer's travel, lodging expenses and other related expenses. In addition, if Franchisor determines that Franchisee is not operating the Business in accordance with the requirements of the System, then Franchisor may provide remedial training in Franchisee's APR and require Franchisee to pay the fee plus expenses stated in the prior sentence.

(ii) Franchisee may send any of its Designated Manager candidates to Franchisor's new franchisee training program at a cost of $250 per person per day, plus any travel, living, and related expenses incurred by Franchisee's employee to attend such training, provided that Franchisor shall not be required to train such individuals at any time other than when Franchisor is otherwise providing training for other new franchisees. In addition, if Franchisor determines that Franchisee is not operating the Business in accordance with the requirements of the System, then Franchisor may require Franchisee's Designated Manager (or Principal Owner, if there is no separate Designated Manager) to attend refresher training at Franchisor's headquarters and pay the fee plus expenses stated in the prior sentence.

(iii) Franchisee's Principal Owner and Designated Manager must complete up to five days of ongoing training annually that either Franchisor provides or that Franchisee's representatives receive from an approved third-party provider. Such ongoing training may include a Klappenberger & Son annual meeting or convention, regional franchisee meetings, or third party events such as sales conferences, trade shows, webinars, trade association seminars or conventions, or training designated to maintain required licenses or certifications. If we hold an annual or regional meeting of franchises, we will not charge you a fee for our services but you will bear all direct costs of attending any of our events, such as travel, lodging and meals. You will be required to pay the tuition or registration fees to attend approved third-party classes or training, as well as any associated travel, lodging and meal expenses. Two (2) consecutive unexcused absences from any mandatory Klappenberger & Son annual meeting or training program shall constitute a default under this Agreement.

14. MARKS

14.1 Ownership of the Marks. Franchisee acknowledges and agrees that the Franchisor is the sole owner of the Marks and that nothing herein contained shall give Franchisee any right, title or interest in and to the Marks, except the non-exclusive right to use the Marks in connection with the operation of the Business under the System in accordance with the terms of this Agreement. Franchisee also acknowledges and agrees that the Marks and all goodwill now or in the future pertaining to the Marks are the sole and exclusive property of the Franchisor, and that it shall not raise or cause to be raised any questions concerning, or objections to, the validity or ownership of such Marks on any grounds whatsoever. Franchisee will not seek to register, reregister or assert claim to or ownership of, or otherwise appropriate to itself, any of the Marks or any marks or names confusingly similar to the Marks, or the goodwill symbolized by the Marks except insofar as such action inures to the benefit of and has the prior written approval of Franchisor. Moreover, Franchisee will not seek to appropriate or register any names containing the phrase "Klappenberger & Son" that relate, in any way, to painting and minor renovation services. Upon the expiration, termination or cancellation of this Agreement, whether by lapse of time, default or otherwise, Franchisee agrees immediately to discontinue all use of the Marks and to remove all copies, replicas, reproductions or simulations thereof from the Business and the Vehicles and to take all necessary steps to assign, transfer or surrender to Franchisor, as appropriate, or otherwise place in Franchisor or its designees title to all such names or marks (other than the Marks) which Franchisee may have used during the term of this Agreement in connection with the operation of the Business.

14.2 Use of the Marks. In order to protect the Marks, the System, and the goodwill associated therewith, Franchisee shall, unless Franchisor otherwise consents in writing:

(i) Only use the Marks designated by Franchisor, and only in the manner authorized and permitted by Franchisor including but not limited to using only e-mail addresses designated "@Klappenbergerandson.com". Franchisee shall not make any changes or substitutions in or to the use of the Marks unless directed by Franchisor in writing. Franchisee's right to use the Marks is limited to such uses as are authorized under this Agreement, and only for the sale of services and products expressly authorized by Franchisor, and any unauthorized use thereof shall constitute an infringement of Franchisor's rights and a breach of this Agreement.

(ii) Only use the Marks for the operation of the Business or in advertising except as explicitly directed by Franchisor for the Business. Franchisee may not use any of the Marks in any part of any domain name or electronic address except as explicitly directed by Franchisor.

(iii) Operate and advertise the Business only under the name "Klappenberger & Son" or such other Marks as Franchisor may designate from time to time, without prefix or suffix, except to describe the location of the Business.

(iv) If Franchisee is a corporation, limited liability company, partnership or other type of entity, not use any of the Marks, including, without limitation, the name "Klappenberger & Son," in its corporate or other legal name.

(v) Follow applicable state or local laws or ordinances if such state or local laws or ordinances require that Franchisee file an affidavit of doing business under an assumed name or otherwise file a report or other certificate indicating that "Klappenberger & Son" or any similar name is being used as a fictitious or assumed name, include in such filing or application therefor an indication that the filing is made as a franchisee of "HOOK & WILSON, LLC, a Maryland limited liability company", and provide a copy of such filing to Franchisor.

(vi) Have the symbol TM, SM or R enclosed in a circle or such other symbols as Franchisor may designate to protect the Marks on all surfaces where the Marks appear.

(vii) Franchisee shall use the Marks on all materials representing the Business, including without limitation business cards, stationary, e-mail correspondence, yellow pages advertising, apparel, checks, proposals, contracts, signage, Vehicle advertising and marketing and promotional materials, and in so doing Franchisee promises to (1) accurately depict the Marks on the materials, (2) to the extent feasible, include a statement on the materials indicating that the Business is independently owned and operated by Franchisee, (3) not use the Marks in connection with any other trademarks, trade names or service marks unless specifically approved by Franchisor prior to such use, and (4) make available to Franchisor, upon its request, a copy of any materials depicting the Marks.

14.3 Internet Use. Franchisee will not establish a web site on the Internet using any domain name containing the Marks or anything similar to "Klappenberger & Son" without Franchisor's prior written consent. Franchisor retains the right to pre-approve Franchisee's use of linking and framing between Franchisee's web pages and all other web sites.

14.4 Infringement and Indemnification. Franchisee shall promptly inform Franchisor in writing of any infringement or imitations of any Marks, of the System, of any act of unfair competition against Franchisor or Franchisee as to which Franchisee has knowledge, or of any claim or demand that Franchisee's use of any of the Marks or of the System in compliance with this Agreement infringes upon a third party's rights intellectual property rights. Franchisee shall not make any demand or serve any notice, orally or in writing, or institute any legal action or negotiate, compromise or settle any controversy with respect to any such alleged infringement or unfair competition without first obtaining Franchisor's written consent. Franchisor shall have the exclusive right to institute, defend against negotiate, compromise, settle, dismiss, appeal or otherwise handle any such action and take such steps as it may deem advisable to prevent any such infringement or imitation and to join Franchisee and any other franchisees as a party to any such action to which Franchisor may be a party and to which Franchisee is or would be a necessary or proper party. However, nothing herein shall be construed to obligate Franchisor to seek recovery of costs or damages of any kind in any such litigation, the assertion or waiver of such claims being within the sole discretion of Franchisor. The costs of any such action shall be paid by Franchisor, and any recovery obtained from infringers of the Marks shall be paid to Franchisor.

Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as, in the opinion of Franchisor's counsel, may be necessary or advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor's interest in the Marks. Provided Franchisee complies with the provisions of this Section 14.4, Franchisor will reimburse Franchisee for all expenses reasonably incurred in any legal proceeding concerning Franchisee's use of any of the Marks and/or the System in compliance with this Agreement. Such reimbursement does not include Franchisee's expenses for replacing signage or discontinuing use of any Mark(s). The indemnity portion of this **Section 14.4** will not apply in any proceeding where either party to this Agreement challenges the other party's use of or rights in any of the Marks or any portion of the System.

14.5 Substitute and Additional Marks. If Klappenberger & Son, LLC decides to change, add or discontinue use of any Mark, or to introduce additional or substitute Marks, Franchisee, upon a reasonable period of time after receipt of written notice, shall take such action, at its sole expense, as is necessary to comply with such changes, alteration, discontinuation, addition or substitution. Franchisor shall not have any liability for any loss of revenue or goodwill due to any new Mark or discontinued Mark.

15. RELATIONSHIP OF THE PARTIES

It is the express intention of the parties hereto that Franchisee is and shall be an independent contractor under this Agreement, and no partnership, joint venture, fiduciary relationship or other special relationship shall exist between Franchisee and Franchisor. This Agreement does not constitute Franchisee as the agent, legal representative or employee of Franchisor for any purpose whatsoever, and Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, Franchisor or in any way to bind Franchisor. During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Business operating the Business pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous manner on all customer contracts, forms, stationery or other written materials, the content of which Franchisor has the right to specify. Franchisee agrees not to incur or contract for any debt or obligation on behalf of the Franchisor, represent or imply to third parties that Franchisee is an agent of Franchisor, or commit any act, make any representation or advertise in any manner which may adversely affect any right of Franchisor, or be detrimental to the good name and reputation of Franchisor or any other franchisees of Franchisor. Any subcontractors retained by Franchisee are independent contractors of Franchisee alone.

16. MAINTENANCE OF CREDIT STANDING

Franchisee acknowledges that the failure or repeated delay in making prompt payments in accordance with the terms of invoices and statements rendered to Franchisee for purchases or leases of the Vehicles, supplies, equipment, tools and other items, or defaults in making payments due hereunder or under any other agreement entered into in connection with the

operation of the Business, is likely to result in a loss of credit rating and standing which will be detrimental to Franchisor and other franchisees of the System. Accordingly, Franchisee promises to pay when due all amounts which it owes to anyone for the Vehicles, supplies, equipment, tools, and other items used in connection with the Business and all payments owed hereunder or under any other agreement entered into in connection with the operation of the Business.

17. INDEMNIFICATION INSURANCE AND TAXES

17.1 Indemnification. Franchisee agrees to indemnify, defend and hold harmless Franchisor and its affiliates, shareholders, directors, officers, employees, agents, successors and assignees (the "Indemnified Parties") against and to reimburse any one or more of the Indemnified Parties for all claims, obligations and damages described in this Section, any taxes described in Section 17.3 below and any Losses and Expenses incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon Franchisee's (a) ownership or operation of the Business, including any of the Vehicles; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or any of its affiliates); (d) defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with the Business, including any negligent or intentional acts; or (f) infringement, violation or alleged infringement or violation of any of Mark, patent or copyright (except as exempted by **Section 14.4)** or any misuse of the Confidential Information. For purposes of this indemnification provision:

(i) Any of the types of action, suit, demand, claim, investigation or proceedings described in subparts (a) through (f) above shall be considered a covered "Claim" for purposes of this **Section 17.1.**

(ii) The term "Losses and Expenses" includes any of the Indemnified Parties' obligations, damages (actual, consequential or otherwise), settlement amounts, judgments, fines and penalties, accountants', arbitrators', attorneys' and expert witness fees, costs of investigations and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution such as travel and living expenses, and all other costs associated with any of the foregoing losses and expenses.

(iii) Franchisee promises to give Franchisor immediate notice of any Claim that may be give rise to indemnification of any of the Indemnified Parties. Franchisor has the

right to retain counsel of its own choosing in connection with any such Claim.

(iv) In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any Claim if, in the exercise of its reasonable business judgment, Franchisor finds that there are grounds to believe any of the acts or circumstances alleged by a third party asserting a Claim have in fact occurred.

(v) If Franchisor's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

(vi) No Indemnified Party shall be entitled to recover any Losses or Expenses for any Claim made by a third party that arises from the gross negligence of the Indemnified Party; however, this exception shall not apply if Franchisee is also found to have been at fault in any manner (including being negligent) in any Claim brought by a third party.

(vii) This indemnity will continue in effect after the expiration or termination of this Agreement.

17.2 Insurance. Franchisee agrees to secure and maintain during the term of this Agreement, at its own cost, an insurance policy or policies protecting Franchisee and Franchisor and its affiliates against any demand or claim with respect to personal injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the Business or the Vehicles, including, but not limited to, the following minimum coverages: (1) comprehensive general liability insurance of $1,000,000 per Occurrence, $2,000,000 Aggregate, $1,000,000 Personal & Advertising Injury, $100,000 Fire Legal Liability, and $5,000 Medical Payments, and includes an endorsement adding the Franchisor as an Additional Insured CG2011 and CG2037 on a Primary and Non-contributory basis including a Waiver of Subrogation; (2) auto insurance for the Vehicles of $1,000,000 Liability Limit and $1,000,000 Hired & Non-Owned Auto Liability, and includes Franchisor as an Additional Insured on a Primary and Non-Contributory basis and a Waiver of Subrogation.; (3) workers' compensation employer liability insurance with Five Hundred Thousand Dollars ($500,000) Liability Limit; (4) an "umbrella" or excess liability policy of One Million Dollars ($1,000,000) per occurrence and One Million Dollars ($1,000,000) annual aggregate, and includes Franchisor as an Additional Insured on a Primary and Non-Contributory basis and a Waiver of Subrogation; and (5) all perils coverage for personal property used in the Business. In connection with this obligation, Franchisee agrees that:

(i) Such policy or policies shall reflect industry standards, shall be written by a responsible carrier or carriers with an A.M. Best Financial Rating of A- or better and be acceptable to Franchisor, shall include the endorsements and requirements referenced above, and shall provide at least the types and minimum amounts of coverage as are specified in the Manual as modified by Franchisor from time to time. Franchisee understands and acknowledges that the types and amounts of coverage required by Franchisor are minimum amounts and do not represent a recommendation by Franchisor as to all types and amount of insurance coverage Franchisee should maintain for the Business. For example, Franchisee may want to consider including the Principal Owner on the Workers' Compensation policy or obtaining disability insurance which would provide coverage should the Principal Owner become disabled and unable to supervise the Business, and Franchisee also may want to consider Employee Dishonesty Coverage. Franchisee is solely responsibility for determining the types and amounts of insurance coverage that is appropriate to protect Franchisee's interests and agrees to seek the advice of an independent insurance broker to assist Franchisee in making an informed determination.

(ii) Prior to the opening of the Business and, thereafter, at least 30 days prior to the expiration of any such policy or policies, Franchisee shall deliver to Franchisor certificates of insurance evidencing the proper coverage with limits not less than those required hereunder, and all such certificates shall expressly contain endorsements requiring the insurance company to give Franchisor at least 30 days written notice in the event of material alteration to termination, non-renewal, or cancellation of, the coverages evidenced by such certificates and notice of any claim filed under such policy within 30 days after the filing of such claim.

(iii) If Franchisee at any time fails or refuses to maintain any insurance coverage required by Franchisor or to furnish satisfactory evidence thereof, Franchisor, at its option and in addition to its other rights and remedies hereunder, may, but need not, obtain such insurance coverage on behalf of Franchisee, and Franchisee shall pay to Franchisor on demand all costs incurred by Franchisor in connection with the placement of such insurance.

(iv) Franchisee's obligation to obtain and maintain, or cause to be obtained and maintained, the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in **Section 17.1** hereof. Notwithstanding the existence of such insurance, Franchisee, as agreed above, is and shall be responsible for all loss or damage and contractual liability to third persons originating from or in connection with the operation of the Business and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom.

(v) Franchisee shall not permit any third party sub-contractor to perform any work or offer any services on behalf of Franchisee in respect of the Business unless such sub-contractor maintains insurance coverage in such amounts and types as Franchisee is required to maintain under the provisions of this Section, and such insurance names Franchisor as an

additional insured. Franchisee shall maintain evidence of such insurance by its subcontractors and provide such proof of insurance as Franchisor may require from time to time.

17.3 Taxes. Franchisee shall promptly pay when due all taxes levied or assessed by reason of its operation and performance under this Agreement including, but not limited to, if applicable, employment taxes, sales taxes (including any sales or use tax on equipment, inventory or materials purchased or leased), personal property taxes, and all other taxes and expenses of operating the Business. In no event shall Franchisee permit a tax sale or seizure by

levy or execution or similar writ or warrant to occur against the Business or any tangible personal property used in connection with the operation of the Business. However, Franchisee shall not be obligated to reimburse Franchisor for its income tax liability resulting from Franchisor's receipt of royalties, franchise fees, or ongoing support fees paid by Franchisee.

18. ASSIGNMENT

18.1 Assignment by Franchisor. This Agreement may be unilaterally assigned by the Franchisor and shall inure to the benefit of its successors and assigns. Franchisee agrees and affirms that Franchisor, and/or its parent company, Klappenberger & Son, LLC, may sell itself, its assets, the Marks and/or the System to a third party; may go public, may engage in private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. Franchisee further agrees and affirms that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or noncompetitive franchise network, chain or any other business regardless of the service area of that other business. With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, the Marks (or any variation thereof) and the System and/or the loss of association with or identification of Franchisor under this Agreement. If Franchisor assigns its rights in this Agreement, nothing in this Agreement shall be deemed to require Franchisor to remain in the Business or to offer or sell any products or services to Franchisee. In the event of a sale, transfer or assignment by Franchisor of this Agreement or any interest therein, to the extent that the purchaser, transferee or assignee assumes the covenants and obligations of Franchisor under this Agreement, Franchisor shall thereupon and without further agreement, be freed and relieved of all liability with respect to such covenants and obligations. The consent of Franchisee to such sale, transfer or assignment shall not be required and, notwithstanding any such sale, transfer or assignment, Franchisee shall continue to be fully bound by its obligations under this Agreement.

18.2 Assignment by Franchisee. Franchisee shall not sub-franchise, sell, assign, transfer, merge, convey or encumber, in whole or in part, the Business, substantially all of the Business' assets, this Agreement or any of its rights or obligations hereunder without the prior express written consent of Franchisor, nor shall Franchisee permit such a Transfer to occur by operation of law without Franchisor's written consent. In addition, if Franchisee is a corporation, limited liability company, partnership, business trust, or similar association or entity (a "Business Entity"), its owners may not Transfer any of the equity interests in the Franchisee without the prior written consent of Franchisor. Furthermore, in the event that any owner of Franchisee (the "Equity Holder") is a Business Entity, the controlling ownership interest in such an Equity Holder may not be transferred without the prior written consent of Franchisor. Each of the foregoing events shall be considered a "Transfer" under this Agreement. Any Transfer in violation of this Section shall be void and of no force and effect. In the event Franchisee or an Equity Holder is a Business Entity with certificated equity interests, all certificates of Franchisee or Equity Holder, as the case may be, shall have conspicuously endorsed upon them a legend in substantially the following form:

> "A transfer of this stock is restricted by the terms and conditions of a HOOK & WILSON, LLC FRANCHISE AGREEMENT dated the ____ day of _________________, ______."

Franchisor's consent to a Transfer shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

18.3 Death or Disability of Franchisee. Upon the death or Disability (as such term is hereinafter defined) of the Franchisee (if a natural person) or its Principal Owner, this Agreement or the ownership interest of any deceased or disabled shareholder, partner, member or other equity holder of the Franchisee or an Equity Holder must be Transferred to a party approved by Franchisor within six (6) months of the death or Disability. Any Transfer, including, without limitation, transfers by devise or inheritance or trust provisions, shall be subject to the same conditions for Transfers set forth in Section 18.4. A "Disability" shall have occurred with respect to Franchisee if Franchisee or the Designated Manager (as applicable) is unable to actively participate in the management of the Business for any reason for a continuous period of three months.

18.4 Approval of Assignment. Franchisor agrees not to unreasonably withhold its consent to a Transfer; provided however, that prior to the time of the Transfer, Franchisee fulfills the terms of the transfer policy of Franchisor which is then in effect. Franchisor may, as part of such policy and in its reasonable business judgment, require that:

(i) all monetary obligations (whether hereunder or not) of Franchisee to Franchisor or Franchisor's affiliates or subsidiaries, or other creditors of the business, being paid in full at the effective date of the transfer;

(ii) Franchisee not being in default hereunder or any other agreement between Franchisee and Franchisor as of the effective date of the transfer;

(iii) Franchisee and its owners executing a general release, the same or similar to Franchisor's standard form of General Release, attached as Schedule 1, of any and all claims against Franchisor and its affiliates, subsidiaries, members, managers, officers, directors,

employees and agents; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;

(iv) Franchisee paying to Franchisor a transfer fee equal to eighty percent (80%) of Franchisor's then-current applicable Franchise Fee, unless the party to whom ownership is being transferred is an existing Klappenberger & Son franchisee, in which case the transfer fee shall be forty percent (40%) of Franchisor's then-current applicable Franchise Fee; however, if the transfer will not result in a change in control of Franchisee the fee shall be Two Thousand Five Hundred Dollars ($2,500) plus any applicable training fees.

(v) Franchisee first offering to sell such interest to Franchisor pursuant to Section 19 of this Agreement and the same having been declined in the manner therein set forth;

(vi) the prospective transferee has satisfied Franchisor that it meets Franchisor's standards for work experience, aptitude, character, reputation (based on reference checks), absence of conflicting interests, and such other criteria and conditions as Franchisor shall then consider relevant deciding whether to approve an application for a new franchise by an applicant not currently operating a Business;

(vii) Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise, and the Franchisor determines that the terms and conditions of the proposed transfer (including, without limitation, the purchase price) are not so burdensome as to affect adversely operation of the Business by the transferee;

(viii) the transferee has agreed to be bound by all provisions of this Agreement for the remainder of its term; all holders of a legal or beneficial ownership interest of twenty percent (20%) or greater in the transferee have executed a Guaranty Agreement in the form contained in Exhibit C-6 to this Agreement;

(ix) If Franchisee receives a Promissory Note from the transferee or otherwise agrees to defer receipt of part of the sales price, then any such Promissory Note, Security Agreement and/or other document concerning that debt shall expressly provide that Franchisee's right to payment is subordinate to transferee's ongoing obligations to Franchisor under this Agreement;

(x) the transferee has executed a release of any and all claims against Franchisor, including its officers, directors, shareholders and employees, in their corporate and individual capacities, with respect to any representations regarding the Franchisor or the Business or any other matter that may have been communicated by Franchisee to the transferee, to the greatest extent permitted by applicable law;

(xi) at Franchisor's request, the transferee agrees to refurbish the Tangible Assets in accordance with Franchisor's then-current standards and specifications; and (xii) the

transferee's principal owner (who shall be the new Designated Manager) completes Franchisor's then-current training program to Franchisor's satisfaction. Until this step is completed, any transfer of an interest in the Business is subject to reversal and rescission on Franchisor's demand.

18.5 Removal or Replacement of Principal Owner. If Franchisee is a limited liability entity, then the Principal Owner must be the controlling executive of Franchisee, and Franchisee's other owners may not remove the Principal Owner or replace him or her with a new controlling executive without the prior written consent of Franchisor, even if such appointment is due to the

resignation, death or disability of the Principal Owner. Franchisor will not unreasonably withhold its consent to the appointment of a person identified as the approved successor to the Principal Owner, provided that said person satisfies Franchisor's criteria as specified in Section 18.4(vi), successfully completes Franchisor's training program, thereafter
participates on an ongoing, substantive basis in the management of the Business, and satisfies Franchisor's then-current criteria for creditworthiness and personal net worth when Franchisee requests his or her approval as its replacement principal owner.

18.6 Franchisor's Disclosure to Transferee. Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Business or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchise by an intended transferee identified by Franchisee.

18.7 Transfer by Franchisee in Bankruptcy – Right of First Refusal. If for any reason this Agreement is not terminated pursuant to **Section 21.2** upon Franchisee's bankruptcy and this Agreement is assumed, or assignment of the same to any person or entity who has made a bona fide offer to accept an assignment of this Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (i) the name and address of the proposed assignee; and (ii) all of the terms and conditions of the proposed assignment and assumption, must be given to Franchisor within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of this Agreement, and, in any event, within ten (10) days prior to the date application is made to the bankruptcy court for authority and approval to enter into such assignment and assumption, and Franchisor shall thereupon have the right and option, to be exercised by notice given any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of this Agreement to Franchisor itself upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by such assignee for the assignment of this Agreement.

18.8 For Sale Advertising. Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Business, or in any communication media, any form of advertising relating to the sale of the Business or the rights granted hereunder

18.9 Transfer to a Controlled Entity. If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other entity which is entirely owned by Franchisee ("Controlled Entity"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer must be obtained in writing and shall be conditioned upon the satisfaction of the following requirements:

(i) the Controlled Entity is newly organized and its charter provides that its activities are confined exclusively to the operation of the Business;

(ii) Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

(iii) all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the transferee shall be required to pay a transfer fee, as required, pursuant to **Section 18.4.(iv);**

(iv) the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Business. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

(v) all holders of twenty percent (20%) or more of a legal or beneficial interest in the Controlled Entity have executed the Guaranty Agreement in the form contained in Exhibit C-6 to this Agreement;

(vi) each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof of a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement;

(vii) copies of the Controlled Entity's articles of incorporation, bylaws, operating agreement, and other governing regulations or documents, including resolutions of the board of directors authorizing assumption of this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption; and

(viii) Franchisee has paid to Franchisor an administration fee in the amount of Five Hundred Dollars ($500.00).

19. RIGHT OF FIRST REFUSAL

If during the term of this Agreement, Franchisee shall receive a bona fide offer from a prospective purchaser of the Business (whether by sale of substantially all of its assets, equity interests, merger, consolidation or otherwise) or any equity ownership in Franchisee, it shall offer the same to Franchisor in writing at the same price and on the same terms or the monetary equivalent; which offer Franchisor may accept at any time within 30 days after receipt thereof. If the parties cannot agree on a reasonable monetary equivalent, an independent appraiser designated and paid by Franchisor shall determine the monetary equivalent and the appraiser's determination will be final. If Franchisor declines, or does not within such 30 day period accept, such offer, then Franchisee may make such Transfer to such purchaser (provided Franchisor approves of such purchaser in accordance with Section 18.2 and subject to compliance with **Section 18.4**), but not at a lower price or on more favorable terms than have been offered to Franchisor. If Franchisee fails to complete such Transfer within 120 days following the refusal or failure to act by Franchisor, or if there is any material change in the terms of the offer, then this right of first refusal by Franchisor shall again be applicable as in the case of an initial offer.

20. RESTRICTIVE COVENANTS

20.1 Covenants Not to Compete

(i) Non-Competition during Term. In addition to and not in limitation of any other restrictions on Franchisee contained herein, Franchisee and Franchisee's spouse, and, if Franchisee is not an individual, its shareholders, members, partners and owners, as applicable, and their spouses (each, a "Bound Party"), may not, during the term of this Agreement, directly or indirectly, for and on behalf of itself, himself, herself or any other person or entity, during the term of this Agreement, (a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business (as defined below), regardless of location, other than passive ownership of two percent (2%) or less of the securities of a publicly held company, or (b) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for a Competitive Business, regardless of location.

(ii) Post-Term Non-Competition. In addition to and not in limitation of any other restrictions on Franchisee contained herein, Franchisee and the Bound Parties may not, for two (2) years following the effective date of termination or expiration of this Agreement for any reason, or following the date of a Transfer by Franchisee, directly or indirectly, for and on behalf of itself, himself, herself or any other person or entity, (a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business, other than passive ownership of two percent (2%) or less of the securities of a publicly held company, or (b) perform services as a director, officer, manager, employee, consultant, representative, agent, or otherwise for a Competitive Business.

(iii) Competitive Business. For purposes of this Agreement, the term "Competitive Business" means any business that provides, or granting franchises or licenses to others to provide (a) interior painting or exterior painting services anywhere in the United States, other than through another Business operated by Franchisee under license from Franchisor, or (b) a business that provides interior painting or exterior painting services to any customers located within the Area of Primary Responsibility, within fifteen (15) miles from the outer boundaries of the Area of Primary Responsibility, or within any of the counties, towns or municipalities serviced by other Klappenberger & Son Businesses as they exist from time to time. For purposes of subsection (ii) above, the geographic areas served by other Businesses shall be determined as of the effective date of the termination, expiration or transfer, as applicable.

(iv) General. The covenants contained in Section 20.1 are necessary because Franchisee and the Bound Parties will be provided with knowledge of Franchisor's business and operating methods and confidential information, the disclosure and use of which outside of a Business would prejudice the interest of Franchisor and its franchisees. Franchisee further understands and acknowledges the difficulty of ascertaining monetary damages and the irreparable harm that would result from breach of these covenants, and agrees that, in the event of the actual or threatened breach of this **Section 20.**1 by Franchisee or any of its partners or shareholders or any member of the immediate family of Franchisee or any of its partners or shareholders, Franchisor shall be entitled to an injunction, without bond, restraining such person from any such actual or threatened breach, in addition to any other relief to which Franchisor may be entitled in law or equity. If any part of this restriction is found to be unreasonable in time or distance, such time or distance may be reduced by appropriate order of the court to that deemed reasonable. Franchisee further acknowledges and agrees that the provisions of this **Section 20.1** shall be tolled during any default under this **Section 20.1,** and that the restriction shall be applicable for the greater of two years from termination or two years from a Court issuing an order restraining the Bound Party from violating this **Section 20.1.**

20.2 Non-Solicitation of Employees. While this Agreement is in effect and for two (2) years after expiration or termination of this Agreement for any reason, or following the date of a Transfer, Franchisee and the Bound Parties may not, directly or indirectly, solicit or attempt to solicit, or otherwise interfere with or disrupt the employment relationship between Franchisor and any of its employees or between any other Klappenberger & Son franchisee and its employees.

20.3 Trade Secrets and Confidential Information.

(i) Franchisee acknowledges and agrees that in connection with the operation of Businesses and the System, Franchisor has developed competitively sensitive proprietary and confidential information which are not commonly known by or available to the public. This proprietary and confidential information does not include any information that (a) is commonly known by or available to the public; (b) has been voluntarily disclosed to the public by Franchisor; (c) been independently developed or lawfully obtained by Franchisee; or (d) has otherwise entered the public domain through lawful means. All information which comprises the System including the information and data in the Manual is presumed to be confidential information of Franchisor, along with the identity and contact information of any customers of the Business.

(ii) Franchisee and each Bound Party may not, directly or indirectly, disclose or publish to any party, or copy or use for such party's own benefit, or for the benefit of any other party, any of Franchisor's proprietary or confidential information, except as required to carry out Franchisee's obligations under this Agreement or as Franchisor has otherwise expressly approved in writing. All proprietary and confidential information of Franchisor is the sole and exclusive property of Franchisor, and Franchisee acknowledges that its license to use such confidential information (including customer data collected during the Term) shall cease to exist upon termination or expiration of this Agreement, unless it is replaced by a successor agreement between the parties. The restriction contained in the preceding sentence will continue to remain in effect with respect to the confidential information for five years following termination or expiration of this Agreement for any reason; provided, however, if the confidential information rises to the level of a trade secret, then such restriction shall continue to remain in effect for the greater of five (5) years or until such time as the information does not constitute a trade secret. Franchisee must take appropriate steps to protect Franchisor's confidential information from any unauthorized disclosure, copying or use, including (but not limited to) unauthorized or impermissible use by Franchisee's employees or by the family members or friends of Franchisee's owners. At any time upon Franchisor's request, and in any event upon termination or expiration of this Agreement, Franchisee must immediately return any copies of documents where there are materials containing confidential information and take appropriate steps to permanently delete and render unusable any confidential information stored electronically.

(iii) While this Agreement remains in effect, Franchisor and its affiliates shall not use customer data collected through operation of the Business to compete with Franchisee, and Franchisor shall make commercially reasonable efforts to prevent any of the officers, directors, employees or contractors of Franchisor or its affiliate from utilizing such customer data to compete with Franchisee.

20.4 Personal Covenants of Certain Bound Parties. As a condition to the effectiveness of this Agreement, and at the time Franchisee delivers this signed Agreement to Franchisor, each Bound Party of Franchisee must sign and deliver to Franchisor the Personal Covenants attached hereto as Exhibit C-2 (the "Personal Covenants"), agreeing to be bound personally by all the provisions **of Sections 20.1, 20.2** and **20.3** hereof. If there are any changes in the identity of any such Bound Party while this Agreement is in effect, including the purchasers of any ownership interests in Franchisee or any marriages causing a Bound Party to have a new spouse, Franchisee must notify Franchisor promptly and make sure the new Bound Party signs and delivers to Franchisor the Personal Covenants.

20.5 Agreements by Other Third Parties. Franchisee must cause each of its management and supervisory employees who are not Bound Parties, including but not limited to any Designated Manager, to execute a noncompetition, non-solicitation and nondisclosure agreement in a form approved by Franchisor from time to time; provided however, that it shall be Franchisee's responsibility to make sure that said agreement is enforceable under the laws of the state in which the DMA is located.

20.6 Duty to Enforce Restrictive Covenants Against Former Employees or Contractors. Franchisee must make all commercially reasonable efforts to prevent (a) any of its former management or supervisory employees from violating the non-competition, non-solicitation and non-disclosure agreement required by **Section 20.5**, and (b) any of its other employees or contractors from breaching the confidentiality of the customer data and other proprietary information entrusted to such persons; provided, however, that Franchisee's duty in this regard shall not extend to activities of such persons that are not directed towards the customers within the APR or within fifteen (15) miles of any of its boundaries.

21. TERMINATION

21.1 Termination by Franchisee. Franchisee may terminate this Agreement if Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure such material breach within 90 days after written notice thereof is delivered to Franchisor. If Franchisee terminates this Agreement pursuant to this Section, all post-termination obligations of Franchisee described herein shall not be waived but shall be strictly adhered to by Franchisee, and Franchisee shall remain obligated to honor all other obligations set forth in this Agreement that, by their terms, apply subsequent to termination of the franchise relationship, including the payment of all outstanding Royalties and other fees due hereunder and compliance with the post-termination covenant not to compete.

21.2 Termination by Franchisor Without a Cure Period. Franchisor may immediately terminate this Agreement upon written notice to Franchisee, without opportunity to cure and without any prejudice to the enforcement of any other legal right or remedy, if:

(i) Franchisee fails to satisfactorily complete initial training pursuant to Section 13.2;

(ii) Franchisee abandons, fails or refuses to actively operate the Business for five (5) or more consecutive days, unless permitted by Article 32 of this Agreement ("Force Majeure") or if the Business has not been operational for a purpose approved by Franchisor;

(iii) Franchisee files a petition under any bankruptcy or reorganization law, is adjudicated as bankrupt becomes insolvent; commits any affirmative act of insolvency, or files any action or petition of insolvency; has a trustee or receiver appointed by a court of competent jurisdiction for all or any part of its property; if a receiver of its property or any part thereof is appointed by a court; makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against any of the Tangible Assets is instituted against Franchisee and not dismissed within thirty (30) days or is not in the process of being dismissed; or if any of the Vehicles are repossessed by a lender or lessor of same.

(iv) Franchisee seeks to effect a plan of liquidation, reorganization, composition or arrangement of its affairs, whether or not the same shall be subsequently approved by a court of competent jurisdiction; it being understood that in no event shall this Agreement or any right or interest hereunder be deemed an asset in any insolvency, receivership, bankruptcy, composition, liquidation, arrangement or reorganization proceeding;

(v) Franchisee has an involuntary proceeding filed against it under any bankruptcy, reorganization, or similar law and such proceeding is not dismissed within 60 days thereafter;

(vi) Franchisee makes a general assignment for the benefit of its creditors;

(vii) If Franchisee is a business entity of any type, if Franchisee is dissolved either voluntarily or involuntarily, or if Franchisee has its charter revoked or forfeited and does not revive its charter within thirty days of Franchisor's demand;

(viii) Franchisee fails to pay when due any amount owed to any taxing authority for federal, state or local taxes (other than amounts being bona fide disputed through appropriate proceedings) and Franchisee does not correct such failure within 90 calendar days after written notice is delivered thereof by the taxing authority, Franchisor or any third party;

(ix) Franchisee or the Principal Owner is convicted of or plead no contest to any felony, or any other crime or offense that is likely to adversely affect the reputation of the System and the goodwill associated with the Marks;

(x) Franchisee operates the Business or any phase of the franchised business in a manner that presents a substantial environmental, health or safety hazard to Franchisee's customers, employees or the public, and fail to cure such a default within seventy two (72) hours of receiving notice of same from either Franchisor or a governmental authority;

(xi) Franchisee makes a material misrepresentation to Franchisor before or after being granted the franchise;

(xii) Franchisee makes an unauthorized Transfer of this Agreement, the franchise, the Business, or an ownership interest in Franchisee;

(xiii) Franchisee (a) misuses or makes an unauthorized use of any Mark and fails to cure this default within ten (10) days of receiving notice of it, (b) misappropriates any Mark or challenges Franchisor's ownership of the Marks, (c) files a lawsuit involving the Marks without Franchisor's consent, or (d) fails to cooperate in the defense of any Mark; (xiv) Franchisee commits any act which can be reasonably expected to materially impair or detrimentally impact the goodwill associated with any Mark;

(xv) Franchisee or any Bound Party breaches or fails to comply fully with Section 20 above;

(xvi) Franchisee makes or permits a third party to make any unauthorized use or disclosure of any confidential information or trade secret of Franchisor;

(xvii) Franchisee fails to comply with any federal, state or local law or regulation applicable to the operation of the franchise, provided that if the failure to comply does not involve tax evasion or result in governmental proceedings then Franchisee will be given a reasonable period (not to exceed 30 days) to come into compliance with the law or regulation;

(xviii) Franchisee knowingly maintains false books or records or denies Franchisor's authorized representatives immediate access to Franchisee's books and records during an audit or inspection;

(xix) Franchisee submits to Franchisor a financial report or other data, information or supporting records which understate its Gross Receipts by ten percent (10%) or more for any reporting period and is unable to demonstrate that such understatements resulted from an inadvertent error;

(xx) Franchisee has failed to obtain a noncompetition agreement from any of its supervisory employees, and any such unbound person begins operating or managing a Competitive Business after leaving Franchisee's employment;

(xxi) Franchisee has defaulted under the Agreement three or more times within a 12-month period, even if such defaults were subject to a right to cure and were cured after notice is delivered to Franchisee; or

(xxii) You can also be terminated if you fail to enter the minimum of $2,000 of deposits for 3 consecutive months.

21.3 Termination by Franchisor with a Cure Period.

(i) Franchisor shall have the right to terminate this Agreement upon 15 days written notice if defaults remain uncured for the following reasons:

(a) Franchisee fails to commence operation of the Business within the Area of Primary Responsibility within one hundred and twenty (120) days after execution of this Agreement; or

(b) Franchisee fails to pay when due any amount owed to Franchisor or its affiliates or subsidiaries, whether under this Agreement or not; or

(c) Franchisee fails to operate the Business under supervision of either the Principal Owner or an approved Designated Manager; or

(d) Franchisee fails to provide or maintain required insurance coverage.

(ii) Franchisor shall have the right to terminate this Agreement upon 30 days written notice if any default under this Agreement remains uncured. Notwithstanding the foregoing, if the breach is curable but is of a nature which cannot reasonably be cured within such 30 day period and Franchisee has commenced and is continuing to make good faith efforts to cure such breach, Franchisee shall be given an additional 30 day period to cure the same, and this Agreement shall not terminate. By way of example only, the following are some of the contract breaches for which Franchisee will be provided with notice and an opportunity to cure under this provision:

(a) Franchisee fails or refuses to submit financial statements, reports or other operating data, information or supporting records when due;

(b) Franchisee fails to restore the Business to full operation within a reasonable period of time (not to exceed 60 days) after the Business is rendered inoperable by any casualty;

(c) Franchisee fails to commence proceedings to stop any of its former managerial employees from violating a covenant not to compete, or to stop any of its former employees or contractors from misusing confidential information of the Business;

(d) Franchisee fails to input any estimate for work into our estimating system or otherwise fails to comply with our IT System; or

(e) Franchisee fails to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure prescribed by Franchisor.

21.4 Management of Business by Franchisor. In addition to Franchisor's right to terminate this Agreement, and not in lieu thereof, Franchisor may exercise complete authority with respect to the management of the Business until such time as Franchisor determines that the default of Franchisee has been cured and that Franchisee is complying with the requirements of this Agreement. This option includes, but is not limited to, situations in which the Business is not under the supervision of a Designated Manager or the Principal Owner. Franchisee specifically agrees that a designated representative of Franchisor may take control and manage the Business in the event of any such default, provided however that Franchisor's period of management may not exceed one hundred and eighty (180) days unless consented to by Franchisee. If Franchisor assumes the management of the Business, Franchisee must pay to Franchisor $425 per day plus any and all expenses reasonably incurred by Franchisor's representative to provide such management services. Payment hereunder shall be made upon demand and shall be in addition to any and all other fees required under this Agreement. If Franchisor assumes the Business's management, Franchisee acknowledges that Franchisor will have a duty to utilize only reasonable efforts and will not be liable to Franchisee or its owners for any debts, losses, or obligations the Business incurs, or to any of Franchisee's creditors for any supplies or services the Business purchases, while Franchisor manages it.

22. EFFECT OF AND OBLIGATIONS UPON TERMINATION

22.1 Liquidated Damages. Franchisee acknowledges and confirms that by granting

Franchisee the license to operate the Business in the Area of Primary Responsibility, Franchisor lost the opportunity to grant a franchise for the Area of Primary Responsibility to another person or entity or to itself to own and operate a Business within the Area of Primary Responsibility. Additionally, Franchisee confirms that Franchisor will suffer substantial damages by virtue of the termination of this Agreement, including, without limitation, lost Royalties, lost market penetration and goodwill in the Area of Primary Responsibility, lost opportunity costs and the expense Franchisor will incur in developing another franchise for the Area of Primary Responsibility, which damages are impractical and extremely difficult to ascertain and/or calculate accurately, and the proof of which would be burdensome and costly, although such damages are real and meaningful to Franchisor and the System. Accordingly, in the event that Franchisor terminates this Agreement for Franchisee's default hereunder, Franchisee agrees to pay to Franchisor the amount that is the greater of either (i) the Minimum Royalties that would become due to us over the succeeding twenty-four (24) months, or (ii) the average weekly Royalties, monthly Brand Development Fund contributions, and other fees due under this Agreement during the preceding twenty-four (24) months multiplied by twenty-four (24) or the number of whole months remaining in the term, whichever is less. The parties acknowledge that the amount set forth herein represents a fair and reasonable estimate of Franchisor's foreseeable losses as a result of such termination, and which are not in any way intended to be a penalty. Franchisee's obligation to pay this sum is in addition to, and not in lieu of, its other post-termination obligations.

22.2 Obligations upon Termination or Expiration. Upon the expiration or termination of this Agreement, whether by reason of lapse of time, default in performance or other cause or contingency, Franchisee shall:

(i) Immediately return to Franchisor all material furnished by Franchisor containing confidential information, operating instructions, business practices, methods or procedures, including, without limitation, the Manual;

(ii) immediately cease to operate within the Area of Primary Responsibility, and cease all use of the Marks of any and all signs, slogans, symbols, logos, advertising materials, forms, products and other items bearing the Marks, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

(iii) pay all sums owing to Franchisor which may include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees, unpaid Royalty Fees, and any other amounts due to Franchisor;

(iv) pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

(v) if Franchisee retains possession of the Vehicles, at Franchisee's expense, make such reasonable modifications to the exterior and interior of the Vehicles as Franchisor requires to eliminate its identification with a Business and to avoid violation of the non-compete provision;

(vi) refrain from operating or doing business under any name or in any manner that may give the general public the impression that this Agreement is still in force or that Franchisee is connected in any way with Franchisor or that Franchisee has the right to use the System or the Marks;

(vii) refrain from directly or indirectly (such as through employees, family members or friends) making use of or availing itself to any of the Confidential Information, Manual or other information received from Franchisor or disclosing or revealing any the same in violation of Section 20.3 hereof, including all data and information concerning any customers of the Business, and transmit all such Confidential Information (including any copies thereof) to Franchisor; provided, however, that Franchisor will provide access to customer contracts and payment data to Franchisee's representatives solely to the extent necessary to respond to governmental inquiries or defend against any third party claims made against Franchisee after termination.

(viii) take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "Klappenberger & Son" or any of the Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

(ix) assign to Franchisor or its designee all of Franchisee's rights, title, and interest in the telephone numbers, telephone directory listings and advertisements, website URLs, e-mail addresses, and governmental licenses or permits (to the extent permitted by law) used for the operation of the Business. Simultaneously with Franchisee's execution of this Agreement, Franchisee will execute the Internet Web Sites and Listings Agreement attached hereto as Exhibit C-3 and the Telephone Listing Agreement attached hereto as **Exhibit C-4**; and

(x) strictly comply with the terms and conditions of **Section 20** above.

22.3 <u>Sale upon Expiration or Termination</u>.

(i) Except in the case of a renewal under Section 2, if this Agreement expires or is terminated or canceled for any reason, Franchisor shall have the option to purchase the Tangible Assets and to assume Franchisee's leases for any Vehicles to the extent permitted by their lessors (collectively, the "Assets"). Franchisee shall make said Assets accessible for Franchisor's inspection upon demand, and if Franchisee has done so then Franchisor shall have thirty (30) days of the termination or expiration of the Agreement to make an offer to purchase any of the Assets. If the offered consideration (which may include waiver of amounts owed by Franchisee) is not acceptable, then each party agrees to cooperate in good faith to promptly select a mutually agreeable independent appraiser to determine the fair market value of the chosen Assets. If the parties are unable to so agree, then Franchisee and Franchisor shall each select one appraiser, and the two appraisers so chosen shall then select a third appraiser who will determine the fair market value. Each party shall be responsible for fifty percent (50%) of the costs and expenses of the appraiser selected. Franchisor shall have the right, at any time within 15 days after being advised in writing of the decision of the appraiser chosen in the foregoing manner, to purchase the Assets at their appraised fair market value, less any amounts owed by Franchisee to Franchisor pursuant to this Agreement. Nothing contained in this Section shall be deemed to be a waiver by Franchisor of any default by Franchisee under this Agreement nor shall the exercise of the option to purchase the Assets contained in this Section affect any other rights or remedies granted to Franchisor hereunder or otherwise available to it. Moreover, Franchisee acknowledges that, following termination or expiration of the Agreement, Franchisor may utilize all customer data collected by Franchisee during the Term to operate a Business in the Area of Primary Responsibility (APR) , without compensation to Franchisee.

(ii) Notwithstanding the provisions set forth in **Section 22.3(i)** above, if, within 45 days following the expiration of this Agreement, Franchisee shall receive a bona fide offer for the purchase of the Assets, Franchisee shall offer the same in writing to Franchisor at the same price and on the same terms or the monetary equivalent; which offer Franchisor may accept at any time within 15 days after receipt thereof. If Franchisor declines, or does not within such 15 day period accept, such offer, then Franchisee may sell the Assets to such purchaser, but not at a lower price nor on more favorable terms than have been offered to Franchisor.

(iii) Any sale of the Assets hereunder shall close no later than 60 days after delivery of written notice of Franchisor's exercise of its option is given to Franchisee. Franchisor has the right to assign its option hereunder and Franchisee must sign all documents of transfer reasonably necessary for the purchase of the Assets. All Assets transferred shall be free and clear of all liens and encumbrances, with all sales and transfer taxes paid by the Franchisee.

22.4 Effect of Expiration or Termination. Upon the expiration or termination of this Agreement for any reason, any and all rights granted to Franchisee hereunder shall be extinguished immediately, including any rights in the customer list of the formerly franchised Business, and Franchisee shall not be relieved of any of its obligations, debts or liabilities hereunder. The expiration or termination of this Agreement for any reason will be without prejudice to the rights of Franchisor against Franchisee and will not destroy or diminish the binding force and effect of any of the provisions of this Agreement that expressly, or by reasonable implication, come into or continue in effect on or after the expiration or termination.

23. OWNERSHIP OF FRANCHISEE

Attached hereto as **Exhibit C-5** is a description of the legal organization of Franchisee (whether a corporation, limited, liability company, partnership or otherwise), the names and addresses of each person or entity owning any interest in Franchisee and the percentage of such interest owned by such person or entity, as well as each such natural person's legal spouse. Franchisee agrees to notify Franchisor in writing whenever there is any change in the organizational structure or ownership interest of Franchisee as forth on **Exhibit C5.** Each person who owns more than twenty percent (20%) of Franchisee's Equity (a "Principal Owner") must execute the Guaranty Agreement attached hereto as **Exhibit C-6**.

24. SUCCESSORS AND THIRD PARTY BENEFICIARIES

This Agreement and the covenants, restrictions and limitations contained herein shall be binding upon and shall inure to the benefit of Franchisor and its successors and assigns and shall be binding upon and shall inure to the benefit of Franchisee and its permitted heirs, successors and assigns. Except as contemplated by Section 17.1, nothing in this Agreement is intended, nor is deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. This Agreement is, however, intended to bind the Bound Parties to the extent set forth in this Agreement.

25. CONSTRUCTION

All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, and any other gender, as the context or sense of this Agreement or any provision hereof may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Franchisee shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named as Franchisee, if more than one person is so named.

26. INTERPRETATION AND HEADINGS

The parties agree that this Agreement should be interpreted according to its fair meaning. Franchisee waives to the fullest extent possible the application of any rule which would construe ambiguous language against Franchisor as the drafter of this Agreement. The words "include," "includes" and "including" when used in this Agreement will be interpreted as if they were followed by the words "without limitation." References to section numbers and headings will refer to sections of this Agreement unless the context indicates otherwise. Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.

27. NOTICES

All notices or other communications required or permitted to be given under the terms of this Agreement, shall be given in writing, and be delivered personally, by facsimile or email, by certified, express or registered mail, or by an overnight delivery service (e.g., Federal or Airborne Express), postage prepaid, addressed to the party to be notified at the respective address set forth on Exhibit C-1, or at such other address or addresses as the parties may from time to time designate in writing in accordance with this Section. Any notice shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably

reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by registered mail, return receipt requested. All notices may be sent to Franchisee at the address listed on Exhibit C-1 of this Agreement, the address of the location from which Franchisee operates the Business (if sent prior to termination), or such other address as Franchisee may designate in writing to Franchisor.

28. DISPUTE RESOLUTION

28.1 Choice of Law. Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of South Carolina (without reference to its conflict of laws principles), excluding any law regulating the sale of franchises or governing the relationship between a franchisor and franchisee unless the jurisdictional requirements of such laws are met independently without reference to this Section, and excluding any laws and statutes that may prohibit an agreement to maintain minimum "resale" prices for services offered under a common trademark. References to any law refer also to any successor laws and to any published regulations for such law, as in effect at the relevant time.

28.2 Mediation. At Franchisor's sole option, Franchisor shall have the right but not the obligation, to submit any dispute under this Agreement to non-binding mediation in the county and state in which the Franchisor then maintains its principal place of business, or a place closest to Franchisor's principal place of business (if designated by Franchisor). Any mediation initiated by Franchisor pursuant to this paragraph shall be through the American Arbitration Association (the "AAA") or such other neutral third-party administrator as designated by Franchisor should AAA cease to exist. The mediator appointed pursuant to this Section shall have a minimum of ten (10) years' franchise law experience. All costs of mediation shall be equally borne by the parties. Each party shall personally appear at mediation. This non-binding mediation shall not delay any petition for equitable relief such as for an injunction or restraining ordernor any claim for trademark infringement under Lanham Act.

28.3 Arbitration.

(i) Agreement to Arbitrate. Any controversy or claim arising out of or relating to: (1) this Agreement or any other agreement between the parties or any provision of such agreements; (2) the relationship of the parties hereto; or (3) the validity of this Agreement or any other agreement between the parties or any provision of such agreements shall be decided through arbitration administered by the American Arbitration Association ("AAA"). The foregoing shall not apply to (i) any action for injunctive or other provisional relief as Franchisor deems to be necessary or appropriate to compel Franchisee to comply with Franchisee's obligations to the Franchisor and/or to protect the Trademarks of the Franchisor; and (ii) any claim or dispute involving or contesting the validity of any of the Trademarks. The arbitrator appointed pursuant to this Section shall have a minimum of ten (10) years' franchise law experience. ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND NOT ON A CONSOLIDATED OR CLASS-WIDE BASIS. IF PROPER NOTICE OF ANY HEARING HAS BEEN GIVEN, THE ARBITRATOR WILL HAVE FULL POWER TO PROCEED TO TAKE EVIDENCE OR TO PERFORM ANY OTHER ACTS NECESSARY TO ARBITRATE THE MATTER IN THE ABSENCE OF ANY PARTY WHO FAILS TO APPEAR. BOTH PARTIES WAIVE ANY RIGHTS THEY MAY HAVE TO DEMAND TRIAL. THE ARBITRATOR WILL HAVE NO POWER TO (1) STAY THE EFFECTIVENESS OF ANY PENDING TERMINATION OF THE FRANCHISE; OR (2) MAKE ANY AWARD THAT MODIFIES OR SUSPENDS ANY LAWFUL PROVISION OF THIS AGREEMENT. THE PARTY AGAINST WHOM THE ARBITRATOR RENDERS A DECISION MUST PAY ALL EXPENSES OF ARBITRATION. ANY COURT OF COMPETENT JURISDICTION MAY ENTER JUDGMENT UPON ANY AWARD.

(ii) Unless otherwise agreed by all parties following the filing of an arbitration demand, such arbitration proceedings will be conducted in the county and state in which Franchisor then maintains its principal place of business, or a place closest to Franchisor's principal place of business (if designated by Franchisor), and will be heard in accordance with the then-current Commercial Arbitration Rules of the AAA. Should AAA cease to exist during the term of this Agreement, Franchisor may designate a comparable third-party administrator of arbitrations.

(iii) The parties hereto recognize, and any arbitrator is affirmatively advised, that certain provisions of this Agreement describe Franchisor's right to take (or refrain from taking) certain actions in the exercise of its business judgment based on its assessment of the overall best interests of Klappenberger & Son franchise system. Where such discretion has been exercised, and is supported by Franchisor's business judgment, no arbitrator may substitute his or her judgment for the judgment so exercised by Franchisor.

(iv) Both parties waive, to the greatest extent permitted by law, its right to seek or be awarded punitive or exemplary damages by an arbitrator, except that Franchisor may seek and obtain an award against Franchisee of trebled damages for trademark infringement and/or trade secret infringement should Franchisee continue to use the Trademarks, and/or trade secrets after termination of this Agreement.

(v) The foregoing provisions notwithstanding, if any court finds that the punitive damages limitation or class action waiver contained in this Section is unconscionable or otherwise unenforceable, then either party may require a dispute otherwise subject to this Section to be decided by a court in accordance with the terms of this Agreement without first submitting the dispute to arbitration.

(vi) A party that is successful in enforcing its rights under this Agreement through commencement of an action in arbitration will be awarded its costs (including charges for investigation and preparation, expert witness, the arbitrator and the arbitration administrator) and reasonable attorney fees incurred in such arbitration.

(vii) This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

(viii) The provisions in this Section are intended to benefit and bind certain third-party non signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Furthermore, this Section will be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with applicable law.

28.4 Consent to Exclusive Jurisdiction and Venue for Disputes. Except to the extent that the parties arbitrate a dispute pursuant to Section 28.3 above, Franchisee and Franchisor each consent to the exclusive personal jurisdiction of the state and federal courts for the county of Franchisor's principal place of business (currently Horry County, South Carolina) over each of them with regard to disputes relating to the Business and/or this Franchise Agreement. The parties hereby submit to service of process by registered and return receipt requested, or by any other manner provided by law. This consent to jurisdiction provision shall not restrict the ability of the parties to confirm or enforce judgments in any appropriate jurisdiction.

28.5 Cumulative Rights and Remedies. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar a party's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

28.6 Limitations of Claims. Except for claims of non-payment of any fees required by Franchisee under the terms of this Agreement, any and all claims and actions arising out of or relating to these Agreements, the relationship of Franchisor and Franchisee or Franchisee's operation of the Franchise must be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or within one (1) year after the party asserting the claim becomes aware of the facts or circumstances indicating that it may have a claim for relief.

28.7 Limitation of Damages and Disclaimer. Except for trebled damages awards under the U.S. Trademark Act should Franchisee continue to use the Marks after termination or expiration of this Agreement, Franchisee and Franchisor each waive, to the fullest extent permitted by the law of the State of South Carolina, under any theory of liability, any right or claim for any punitive or exemplary damages against the other, and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees as provided in **Section 29.**

28.8 WAIVER OF JURY TRIAL. FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

29. COSTS AND ATTORNEYS' FEES

If either party incurs any expenses in connection with the other party's failure to pay any amounts it owes when due, submit any requested reports when due or otherwise comply with this Agreement, the breaching party shall reimburse the non-breaching party for any of the costs and expenses which the non-breaching party incurs, including, without limitation, reasonable accounting, attorneys', arbitrators', and related fees. The duty to pay such costs and fees shall survive termination or expiration of this Agreement.

30. WAIVER

No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Franchisee shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or a different kind; nor shall any delay or omission of Franchisor to exercise any right arising from any such default affect or impair Franchisor's rights as to such default or any future default. In addition, subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

31. SEVERABILITY

31.1 Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable, and if any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement; provided, however, that if Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement. Except as explicitly stated in this Agreement, none of its terms are intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective and permitted successors and assigns, any rights or remedies under of this Agreement.

31.2 Notwithstanding the above, each of the covenants contained in Section 20 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Confidential Information or on competition to the maximum extent provided or permitted by law.

32. FORCE MAJEURE

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to extraordinary causes beyond the reasonable control of the party, which may include strikes, lockouts, casualties, acts of God (including tornadoes, tropical storms, storm surges and blizzards), war, acts of terrorism, or governmental regulation or control (a "Force Majeure"), and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

33. TIMING

Time is of the essence; except as set forth in **Section 33.1**, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

34. DELEGATION BY FRANCHISOR

Franchisor shall have the right to delegate performance of any or all of its obligations and duties hereunder. Franchisee hereby agrees to such delegation.

35. WITHHOLDING PAYMENTS

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to any of its Affiliates. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this

Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness.

36. CUMULATIVE RIGHTS

The rights granted hereunder are cumulative, and no exercise or enforcement by either party of any right or remedy hereunder will preclude the exercise or enforcement of any other right or remedy to which either Franchisor or Franchisee are entitled, either by this Agreement or by law.

37. FURTHER ASSURANCES

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

38. ENTIRE AGREEMENT

This Agreement and any addendum, schedule or exhibit attached hereto contains the entire agreement between the parties hereto relating to the operation of the Business and the franchised business and no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, have been made or relied upon by the parties; provided, however, that nothing in the Agreement or in any related agreement is intended to disclaim the representations Franchisor made in its Franchise Disclosure Document, and Franchisee acknowledges that compliance with the Manual is a material requirement and that such Manual may be modified from time to time in Franchisor's reasonable business judgment. Except as provided in the preceding sentence, no agreement altering, changing, waiving or modifying any of the terms and conditions of this Agreement shall be binding upon either party unless and until the same is made in writing and executed by all interested parties.

39. COUNTERPARTS

This Agreement may be signed in multiple counterpart copies, each of which will be deemed an original.

40. DUTY OF REASONABLENESS AND GOOD FAITH

To honor the intent and purpose of this Agreement, and any of the documents referenced herein, both Franchisor and Franchisee shall act reasonably and in good faith. If the consent of either party is required or contemplated hereunder, the party whose consent is required shall not unreasonably delay, condition or unreasonably withhold consent, unless such consent is expressly subject to such party's sole discretion.

Provided; however that the doctrine of good faith and fair dealing shall not be used to alter, amend, modify, add to or delete any term or condition of this Agreement.

41. REVIEW OF AGREEMENT AND FRANCHISEE'S ACKNOWLEDGEMENTS

41.1 Receipt of this Agreement and the Franchise Disclosure Document. Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Franchise Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee further represents and acknowledges that it has had a copy of the Franchisor's franchise disclosure document for not less than fourteen (14) complete calendar days before signing this Agreement.

41.2 Consultation by Franchisee. Franchisee represents and acknowledges that it has had the opportunity to have this Agreement and the business offered hereunder reviewed by professionals of Franchisee's choosing prior to executing this Agreement, and has either consulted with such professionals or has deliberately declined to do so.

41.3 Acknowledgements. Franchisee assumes sole responsibility for the operation of the Business and acknowledges that, while Franchisor may furnish advice and assistance to Franchisee from time to time during the term of this Agreement, Franchisor has no legal or other obligation to do so except as specifically set forth herein. In addition, Franchisee acknowledges that Franchisor does not guarantee the success or profitability of the business franchised hereunder in any manner whatsoever and shall not be liable therefor; in particular, Franchisee understands and acknowledges that the success and profitability of the business franchised hereunder depend on many factors outside the control of either Franchisor or Franchisee (such as weather, labor, interest rates, market forces, demographic trends and the general economic climate) and there are significant risks in any business venture, but the primary factor in Franchisee's success or failure in the business franchised hereunder will be Franchisee's own efforts

FRANCHISEE ACKNOWLEDGES AND AGREES THAT FRANCHISOR AND ITS REPRESENTATIVES HAVE MADE NO REPRESENTATIONS OR WARRANTIES TO FRANCHISEE THAT ARE INCONSISTENT WITH THE MATTERS SET FORTH IN THIS AGREEMENT, AND THAT FRANCHISEE HAS UNDERTAKEN THIS VENTURE SOLELY IN RELIANCE UPON THE MATTERS SET FORTH HEREIN, THE CONTENTS OF FRANCHISOR'S UNIFORM FRANCHISE DISCLOSURE DOCUMENT, AND FRANCHISEE'S OWN INDEPENDENT INVESTIGATION OF THE MERITS OF THIS VENTURE.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

FRANCHISEE:

If a corporation or limited liability company:

By: ___________________________

Name: ________________________ Title:__ ________________________

If a partnership:

____
[NAME OF PARTNERSHIP]

By: _____________________(SEAL)

General Partner By: _______(SEAL)

General Partner By________(SEAL)

If an individual:

____
NAME________________________

FRANCHISOR:

HOOK & WILSON, LLC

By: ____________________________

Name: David Klappenberger

Title: Authorized Member

Date of Acceptance:

____

EXHIBIT C-1

TO FRANCHISE AGREEMENT
Territory, Approved Location, Etc.

Effective Date:_______________________________

Franchisee's Name: __________________________

Address and email of Franchisor:

HOOK & WILSON, LLC
902 Bluffview Drive
Myrtle Beach, South Carolina 29579
dklappenberger@klappenbergerandson.com
Attn: David Klappenberger,
Member

Address and email of Franchisee:

____
____
____
____

Area of Primary Responsibility:_________________
____
____
____
____

Initial Franchise Fee: ____________________

INITIALS: __________

INITIALS: __________

EXHIBIT C-2
TO THE FRANCHISE AGREEMENT

Personal Covenants

(See Attached)

PERSONAL COVENANTS

Each of the undersigned ("you") agrees that:

Section 1 All capitalized terms used but not defined in this Personal Covenants shall have the meaning set forth in that certain HOOK & WILSON, LLC FRANCHISE AGREEMENT, dated as of the ___ day of _______, 200__ (the "**Franchise Agreement**"), by and between HOOK & WILSON, LLC ("Franchisor"), and _________________ ("Franchisee").

Section 2 You are a Bound Party.

Section 3 As an inducement to Franchisor to enter into the Franchise Agreement, and in consideration of the direct and personal benefits you will derive from the Franchise Agreement, you agree that: (i) you have read and understand all the provisions of **Articles 18, 19, 20 and 28** of the Franchise Agreement; (ii) you will be personally bound by all of the obligations and covenants of Franchisee contained in **Articles 18, 19, 20 and 28** as if such obligations and covenants were made and given personally by you directly to Franchisor; and (iii) such obligations and covenants are fair and reasonable and will not deprive you of your livelihood.

Section 4 If any sentence, clause, paragraph, or combination of any of them in **Articles 18, 19, 20 and 29** of the Franchise Agreement is held by a court of competent jurisdiction to be unenforceable as applied to you, then such unenforceable sentence, clause, paragraph, or combination may be modified by such court to the extent necessary to render it enforceable, and if it cannot be so modified, it shall be severed and the remainder of **Articles 18, 19, 20 and 28** shall remain in full force and effect.

Section 5 These personal covenants shall be governed by the internal laws of the State of South Carolina.

The undersigned hereby execute and deliver this instrument effective as of the Effective Date of the Franchise Agreement.

______________________________	______________________________
Signature	Signature
______________________________	______________________________
Print Name	Print Name
Date: __________________, 20_____	Date: _________________, 20_____

____
Signature

____
Print Name

Date: _____________, 20_____

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Signature

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Print Name

Date: _________________, 20____

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Date: _________________, 20____

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Print Name

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Signature

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Print Name

Date: _____________, 20_____

Date: _________________, 20____

EXHIBIT C-3

TO FRANCHISE AGREEMENT

Internet Web Sites and Listings Agreement

(See Attached)

<u>INTERNET WEB SITES AND LISTINGS AGREEMENT</u>

THIS INTERNET WEB SITES AND LISTINGS AGREEMENT (the **"Internet Listing Agreement"**) is made and entered into as of the _____ day of ________________, 20___ (the "Effective Date"), by and between HOOK & WILSON, LLC, a Maryland limited liability company (the "Franchisor"), and _________________________, __________________ (the "Franchisee").

W I T N E S S E T H:

WHEREAS, Franchisee desires to enter into a HOOK & WILSON, LLC Franchise Agreement (the "Franchise Agreement") to operate a Business that provides painting and minor renovation services, primarily to residential and small business customers (the "Business"); and

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

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

1. DEFINITIONS

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

2. TRANSFER; APPOINTMENT

2.1 <u>Interest in Internet Web Sites and Listings</u>. Franchisee has, or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to certain domain names, hypertext markup language, uniform resource locator addresses, and access to corresponding Internet web sites, the right to hyperlink to certain web sites and listings on various Internet search engines, and listings on business directories accessible through the Internet (collectively, the "**Internet Web Sites and Listings**") related to the Business or the Marks (all of which right, title, and interest is referred to herein as "**Franchisee's Interest**").

2.2 <u>Transfer. On Termination of the Franchise Agreement</u>, if Franchisor directs Franchisee to do so, Franchisee will immediately direct all Internet Service Providers, domain name registries, Internet search engines, and other directories of listing agencies (collectively, the "**Internet Companies**") with which Franchisee has Internet Web Sites and Listings: (i) to transfer all of Franchisee's Interest in such Internet Web Sites and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event

Franchisor does not desire to accept any such Internet Web Sites and Listings, Franchisee will immediately direct the Internet Companies to terminate such Internet Web Sites and Listings or will take such other actions with respect to the Internet Web Sites and Listings as Franchisor directs.

2.3 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Internet Listing Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, on Termination of the Franchise Agreement, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable 2 to accomplish the purposes of this Internet Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Internet Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.3.1 Direct the Internet Companies to transfer all of Franchisee's Interest in and to the Internet Web Sites and Listings to Franchisor;

2.3.2 Direct the Internet Companies to terminate any or all of the Internet Web Sites and Listings; and

2.3.3 Execute the Internet Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

3. MISCELLANEOUS

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

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

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

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

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

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

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

3.8 Joint and Several Obligations. All Franchisee's obligations under this Internet Listing Agreement shall be joint and several.

IN WITNESS WHEREOF, the undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR: HOOK & WILSON, LLC
By: ___________________________
Name: _________________________
Title: __________________________

FRANCHISEE:

If an Individual: _________________

Signature: ______________________

Printed Name: ___________________

If other than an Individual:

[INSERT ENTITY NAME] _______

By: ___________________________

Name: _________________________

Title___________________________

EXHIBIT C-4

TO FRANCHISE AGREEMENT

Telephone Listing Agreement
(See Attached)

TELEPHONE LISTING AGREEMENT

THIS TELEPHONE LISTING AGREEMENT (the "**Telephone Listing Agreement**") is made and entered into as of the _____ day of ________________, 20___ (the "**Effective Date**"), by and between HOOK & WILSON, LLC, a Maryland limited liability company (hereinafter the "**Franchiso**r"), and _________________________________, (the "**Franchisee**").

W I T N E S S E T H:

WHEREAS, Franchisee desires to enter into a HOOK & WILSON, LLC Franchise Agreement (the "Franchise Agreement") to operate a Business that provides painting and minor renovation services, primarily to residential and small business customers (the "Business"); and

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

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

1. DEFINITIONS

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

2. TRANSFER; APPOINTMENT

2.1 Interest in Telephone Numbers and Listings. Franchisee has, or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, yellow-page, and other telephone directory listings (collectively, the "Telephone Numbers and Listings") related to the Business or the Marks (all of which right, title, and interest is referred to herein as Franchisee's "Interest").

2.2 Transfer. On Termination of the Franchise Agreement, if Franchisor directs Franchisee to do so, Franchisee will immediately direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the "Telephone Companies") with which Franchisee has Telephone Numbers and Listings: (i) to transfer all Franchisee's Interest in such Telephone Numbers and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Numbers and Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Numbers and Listings or take such other actions with respect to the Telephone Numbers and Listings as Franchisor directs.

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

2.3.1 Direct the Telephone Companies to transfer all Franchisee's Interest in and to the Telephone Numbers and Listings to Franchisor;

2.3.2 Direct the Telephone Companies to terminate any or all of the Telephone Numbers and Listings; and

2.3.3 Execute the Telephone Companies' standard assignment forms or other documents in order to effect such transfer or termination of Franchisee's Interest.

2.4 Certification of Termination. Franchisee hereby directs the Telephone Companies that they shall accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has Terminated.

2.5 Cessation of Obligations. After the Telephone Companies have duly transferred all Franchisee's Interest in such Telephone Numbers and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further Interest in, or obligations under, such Telephone Numbers and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Telephone Companies for the sums Franchisee is obligated to pay such Telephone Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Telephone Listing Agreement.

3. MISCELLANEOUS

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

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

3.3 No Duty. The powers conferred on Franchisor under this Telephone Listing Agreement are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Telephone Numbers and Listings.

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

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

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

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

3.8 Joint and Several Obligations. All Franchisee's obligations under this Telephone Listing Agreement shall be joint and several.

IN WITNESS WHEREOF, the undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR: HOOK & WILSON, LLC
By: ___________________________
Name: _________________________
Title: __________________________

FRANCHISEE:

If an Individual: _________________

Signature: ______________________

Printed Name: __________________

If other than an Individual:

[INSERT ENTITY NAME] _______

By: ___________________________

Name: _________________________

Title___________________________

EXHIBIT C-5 TO FRANCHISE AGREEMENT

Franchisee Information

1. Franchisee's legal organization (circle one): (a) sole proprietorship; (b) partnership; (c) corporation; (d) limited liability company; or (e) other.

2. If Franchisee is not a sole proprietor, list of all its partners, members or shareholders or others holding any ownership interest in Franchisee:

	Name and address	% interest	Active in Operation of the Business? (yes/no)	Name of Legal Spouse
(a)	____________________	_____	_____________	____________________
	____________________			
	____________________			
	____________________			
(b)	____________________	_____	_____________	____________________
	____________________			
	____________________			
	____________________			
(c)	____________________	_____	_____________	____________________
	____________________			
	____________________			
	____________________			
(d)	____________________	_____	_____________	____________________
	____________________			
	____________________			
	____________________			

3. If Franchisee is not a sole proprietor, list of Franchisee's officers, directors, managers and/or general partners:

	Name	Title
(a)	____________________	__________________________
(b)	____________________	__________________________
(c)	____________________	__________________________
(d)	____________________	__________________________

The undersigned certifies that all information contained in this **Exhibit C-5** is accurate and complete, and agrees to notify Franchisor promptly (and in any case within 15 days) upon any change in the information required to be disclosed in this **Exhibit C-5**.

FRANCHISEE:

If an Individual:

Signature: ______________________________
Printed Name: __________________________

If other than an Individual:

[INSERT ENTITY NAME]

By: _____________________________
Name: __________________________
Title:____________________________

EXHIBIT C-6
TO FRANCHISE AGREEMENT

Guaranty Agreement
(See Attached)

GUARANTY AGREEMENT

In consideration of, and as an inducement to, the execution by HOOK & WILSON, LLC ("Franchisor") of that certain HOOK & WILSON, LLC Franchise Agreement, dated _____________, 20___ (as the same from time to time may be amended, modified, extended or renewed, the "**Franchise Agreement**"), by and between ___________________________ ("**Franchisee**") and Franchisor, the undersigned, for the term of the Franchise Agreement and any extension or renewal thereof, and thereafter until all obligations of Franchisee to Franchisor have been satisfied, jointly and severally, do hereby personally, absolutely, and unconditionally guarantee that Franchisee shall punctually pay and perform each and every undertaking, condition, and covenant set forth in the Franchise Agreement.

Each of the undersigned further waives acceptance and notice of acceptance of the foregoing obligations of Franchisee, and any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition to the liability of the undersigned.

This Guaranty is a guarantee of payment and performance not merely one of collection. Each of the undersigned further consents and agrees that its liability under this Guaranty shall be direct and immediate and joint and several; that the undersigned shall render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so; that such liability shall not be contingent or conditioned upon the pursuit of any remedies against Franchisee or any other person; and that such liability shall not be diminished, relieved or otherwise affected by the extension of time, credit or any other indulgence which Franchisor, its affiliates, successors or assigns may, from time to time, grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, or the release of any one or more of the undersigned hereunder, or the consent to assignment of any interest in Franchisee, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable until all obligations of Franchisee to Franchisor have been satisfied.

Until all obligations of Franchisee to Franchisor have been satisfied, the obligations of the undersigned under this Guaranty shall remain in full force and effect without regard to, and shall not be released, discharged or in any way modified or affected by, any circumstance or condition (whether or not the undersigned shall have any knowledge or notice thereof), including, without limitation, any bankruptcy, insolvency, reorganization, composition, liquidation or similar proceeding, with respect to Franchisee or its properties or creditors, or any action taken by any trustee or receiver or by any court in any such proceeding. The undersigned's liability will not be contingent or conditioned on our pursuit of any remedies against Franchisee or any other person. The remedies provided herein shall be nonexclusive and cumulative of all other rights, powers and remedies provided under the Franchise Agreement or by law or in equity.

The undersigned hereby agree that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder, any term, covenant or condition of the Franchise Agreement may be amended, compromised, released or otherwise altered by Franchisor and the Franchisee and the undersigned do guarantee and promise to perform all of the obligations of the Franchisee under the Franchise Agreement as so amended, compromised, released or altered.

Upon notice from Franchisor that Franchisee has failed to pay monies due and owing to Franchisor under the Franchise Agreement, any and each of the undersigned agree to cure the monetary default within five business days from such notice.

Upon the death of an undersigned, the estate of such undersigned shall be bound by this Guaranty but only for defaults and obligations hereunder that have accrued at the time of death. The obligations of the surviving undersigned shall continue in full force and effect.

The undersigned expressly acknowledge that the obligations hereunder survive the termination of the Franchise Agreement.

Franchisor's failure to enforce all or any portion of its rights under this Guaranty shall not constitute a waiver of its ability to do so at any point in the future.

No delay or failure of Franchisor in the exercise of any right, power, or remedy shall operate as a waiver thereof, and no partial exercise by Franchisor shall preclude any further exercise thereof or the exercise of any other right, power or remedy.

This Guaranty shall be governed by and construed in accordance with the internal laws of the State of South Carolina, without recourse that state's (or any other's) choice of law or conflicts of law principles. If, however, any provision of this Guaranty would not be enforceable under the laws of that state, and if the business franchised under the Franchise Agreement is located outside of that state and the provision would be enforceable under the laws of the state in which the franchised business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Guaranty is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant," unfair competition, fiduciary or other doctrine of law of the State of South Carolina or any other state, which would not otherwise apply. Any litigation initiated under this Guaranty shall be instituted exclusively at Franchisor's discretion in the most immediate state judicial district and court encompassing Franchisor's headquarters and having subject matter jurisdiction thereof or the United States District Court encompassing Franchisor's headquarters. Each of the undersigned expressly agrees that the undersigned is subject to the jurisdiction and venue of those courts for purposes of such litigation. Each of the undersigned hereby waive and covenant never to assert any claim that the undersigned is not subject to personal jurisdiction in those courts or that venue in those courts is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

If Franchisor chooses to proceed against the undersigned under this Guaranty, and Franchisor prevails, the undersigned shall reimburse Franchisor its costs and expenses associated with the proceeding, including its reasonable attorneys' fees, court costs and expenses.

Each paragraph, provision and term of this Agreement shall be considered severable, and if any paragraph, provision or term herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed its signature this day of ___________, 20__.

GUARANTORS:

Agreed:

HOOK & WILSON, LLC

By:____________________________
Name:__________________________
Its_____________________________

________________________(SEAL)
Signature

Address:
____
____
Social Security No.______________

________________________(SEAL)
Signature

Address

____
____
Social Security No.______________

________________________(SEAL)
Signature

Address

____
____
Social Security No.______________

EXHIBIT C-7

<u>FRANCHISEE DISCLOSURE QUESTIONNAIRE</u>

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, **Hook & Wilson, LLC** and you are preparing to enter into a Franchise Agreement for the operation of an **KLAPPENBERGER & SON**® franchise. In this Franchisee Disclosure Questionnaire, Hook & Wilson, LLC will be referred to as "we" or "us." The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

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

1. Have you received and personally reviewed the KLAPPENBERGER & SON® Franchise Agreement and each exhibit, addendum and schedule attached to it?
Yes No

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?
Yes No

If "No", what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

____
____
____

3. Have you received and personally reviewed our Disclosure Document we provided to you?
Yes No

4. Do you understand all of the information contained in the Disclosure Document?
Yes No

If "No", what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary.)

____
____
____

5. Have you discussed the benefits and risks of operating a KLAPPENBERGER & SON® Franchise with an attorney, accountant or other professional advisor and do you understand those risks?

Yes No

6. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities; competition from other businesses; market demand for painting and home improvement services; and other economic and business factors?

Yes No

7. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a KLAPPENBERGER & SON® franchise that we or our franchisees operate and that is contrary to, or different from, the information contained in the Disclosure Document?

Yes No

8. Has any employee or other person speaking on our behalf made any statement or promise concerning a KLAPPENBERGER & SON® franchise that is contrary to, or different from, the information contained in the Disclosure Document?

Yes No

9. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a KLAPPENBERGER & SON® franchise?

Yes No

10. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes No

11. If you have answered "Yes" to any of questions 7 through 10, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of such questions, please leave the following lines blank.

____

____

____

____

12. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and us?

Yes No

You understand that your answers are important to us and that we will rely on them.

By signing this Franchisee Disclosure Questionnaire, you are representing that you have responded truthfully to the above questions.

____
Name of Franchise Applicant

Date:______________________, 20___

____
Signature

____
Name and Title of Person Signing

SCHEDULE I TO FRANCHISE AGREEMENT
FORM OF GENERAL RELEASE

This General Release is made effective this ____ day of ____________, 20__. In consideration for the grant by HOOK & WILSON, LLC, a Maryland limited liability company, to the undersigned of certain rights in connection with the operation of a Business and/or the transfer, termination or renewal thereof, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned, individually and collectively, hereby unconditionally release, discharge, and acquit HOOK & WILSON, LLC, its past and present subsidiaries and affiliates, and its and their shareholders, owners, directors, officers, managers, members, partners, employees, agents, representatives, successors and assigns, from any and all liabilities, damages, claims, demands, costs, expenses, debts, indemnities, suits, disputes, controversies, actions and causes of action of any kind whatsoever, whether known or unknown, fixed or contingent, regarding or arising out of any prior or existing franchise relationship, franchise agreement or any other agreement executed by any of the undersigned and HOOK & WILSON, LLC (or any subsidiary or affiliate of HOOK & WILSON, LLC), any Business (whether currently or previously owned or operated by the undersigned or any of them), or any other prior or existing business relationship between any of the undersigned and HOOK & WILSON, LLC (or any subsidiary or affiliate of HOOK & WILSON, LLC), which the undersigned or any of them individually or collectively has asserted, may have asserted or could have asserted against HOOK & WILSON, LLC (or any of its aforementioned related parties) at any time up to the date of this General Release, including specifically, without limitation, claims arising from contract, written or oral communications, alleged misrepresentations, and acts of negligence, whether active or passive. This General Release shall survive the assignment or termination of any of the franchise agreements or other documents entered into by and between HOOK & WILSON, LLC and any of the undersigned. This General Release is not intended as a waiver of those rights of the undersigned which cannot be waived under applicable state franchise laws.

WITNESS

______________________________	______________________________ By:___________________________ Title:__________________________ Date:__________________________
______________________________	______________________________ __________________Individually:
______________________________	______________________________ __________________Individually:

KLAPPENBERGER & SON
FINANCIAL STATEMENTS

EXHIBIT D TO THE DISCLOSURE DOCUMENT

HOOK & WILSON, LLC

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2024, 2023, AND 2022

HOOK & WILSON, LLC

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024, 2023, AND 2022

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ALTA CPA GROUP

Independent Auditor's Report

To the Board of Directors of
Hook & Wilson, LLC

Opinion

We have audited the accompanying financial statements of Hook & Wilson, LLC (a Maryland limited liability company), which comprise the balance sheets as of December 31, 2024, 2023, and 2022 and the related statements of operations and changes in members' equity, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hook & Wilson, LLC as of December 31, 2024, 2023, and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hook & Wilson, LLC's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hook & Wilson, LLC's ability to continue as a going concern for a reasonable period of time.

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

Alta CPA Group, LLC

Annapolis, MD
February 17, 2025

HOOK & WILSON, LLC
BALANCE SHEETS
DECEMBER 31, 2024, 2023, AND 2022

	2024	2023	2022
ASSETS			
Current Assets:			
Cash	$ 77,975	$ 52,849	$ 124,697
Accounts Receivable	3,986	14,602	3,643
Prepaid Expenses	8,306	17,618	-
Total Current Assets	90,267	85,069	128,340
Fixed Assets, Net	-	-	7,262
Other Assets:			
Franchise Assets	76,658	76,658	76,658
Total Other Assets	76,658	76,658	76,658
Total Assets	$ 166,925	$ 161,727	$ 212,260
LIABILITIES AND MEMBERS' EQUITY			
Current Liabilities:			
Accounts Payable	$ 2,992	$ 2,078	$ 21,386
Deferred Revenue	-	-	94,000
Note Payable - Current	916	6,435	6,211
Total Current Liabilities	3,908	8,513	121,597
Note Payable - Non-Current	-	1,051	7,483
Total Liabilities	3,908	9,564	129,080
Members' Equity	163,017	152,163	83,180
Total Liabilities and Members' Equity	$ 166,925	$ 161,727	$ 212,260

See auditor's report and accompanying notes to financial statements.

HOOK & WILSON, LLC
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023, AND 2022

	2024	2023	2022
REVENUE			
Franchise Fee and Royalty Income	$ 509,335	$ 502,760	$ 464,204
Other Income - Franchise Leads	102,671	99,626	79,150
Total Revenue	612,006	602,386	543,354
OPERATING EXPENSES			
Advertising and Marketing	144,516	161,449	157,981
Bank Fees	1,650	1,482	1,752
Depreciation	-	7,262	7,940
General and Administrative Expenses	10,552	5,742	5,775
Insurance	15,429	8,692	10,782
Interest	147	388	816
Meetings	10,286	8,433	11,673
Professional Fees	107,641	91,042	89,999
Subscriptions	6,094	15,590	19,397
Technology	17,647	20,856	18,448
Travel	14,356	12,881	15,547
Total Operating Expenses	328,318	333,817	340,110
NET INCOME	$ 283,688	$ 268,569	$ 203,244

See auditor's report and accompanying notes to financial statements.

HOOK & WILSON, LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023, AND 2022

	2024	2023	2022
MEMBERS' EQUITY, BEGINNING OF YEAR	$ 152,163	$ 83,180	$ 104,635
Distributions to Members	(272,834)	(199,586)	(224,699)
Net Income	283,688	268,569	203,244
MEMBERS' EQUITY, END OF YEAR	$ 163,017	$ 152,163	$ 83,180

See auditor's report and accompanying notes to financial statements.

HOOK & WILSON, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023, AND 2022

	2024	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES			
Net Income	$ 283,688	$ 268,569	$ 203,244
Adjustments to Reconcile Net Income to Net Cash			
Provided by Operating Activities:			
Depreciation	-	7,262	7,940
(Increase) Decrease in Assets:			
Accounts Receivable	10,616	(10,959)	(3,193)
Prepaid Expenses	9,312	(17,618)	-
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Expenses	914	(19,308)	(5,357)
Deferred Revenue	-	(94,000)	54,000
Net Cash Provided by Operating Activities	304,530	133,946	256,634
CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on Note Payable	(6,570)	(6,208)	(5,828)
Distributions to Members	(272,834)	(199,586)	(224,699)
Net Cash Used by Financing Activities	(279,404)	(205,794)	(230,527)
NET INCREASE (DECREASE) IN CASH	25,126	(71,848)	26,107
CASH AT BEGINNING OF YEAR	52,849	124,697	98,590
CASH AT END OF YEAR	$ 77,975	$ 52,849	$ 124,697
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Interest Paid	$ 147	$ 388	$ 816
Taxes Paid	$ -	$ -	$ -

See auditor's report and accompanying notes to financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

Hook & Wilson, LLC (the Company) was organized as a Limited Liability Company under the general laws of the State of Maryland, pursuant to Articles of Organization effective October 3, 2014.

The Company is based in South Carolina and is engaged in the sale of Klappenberger & Son franchises (contract painting) and the providing of start-up and support services to its franchisees.

Cash and Cash Equivalents

The Company considers all bank accounts and short term debt securities with an original maturity of three months or less to be cash equivalents.

Basis of Accounting

The financial statements of Hook & Wilson, LLC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Fixed assets are capitalized if the assets have useful life of one year or greater and cost or fair market value of $500 or more. Depreciation is calculated using the straight line method over the estimated useful lives of the assets as follows:

Equipment and Vehicles	5 Years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is recognized in income for the period.

Intangible Assets

The Company tests its intangible assets with indefinite lives for impairment on an annual basis and between annual tests if events occur or circumstances change that would more likely than not reduce the fair value below its carrying amount. Management has determined that the intangible assets as of December 31, 2024, 2023, and 2022 were not impaired.

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. These revenues are recognized net of discounts, waivers, and refunds.

The Company determines revenue recognition through the five-step model prescribed by Topic 606 as follows:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract;
- Recognition of revenue when, or as, performance obligations are satisfied.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service in the contract and recognized as revenue when, or as, the performance obligation is satisfied.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Performance Obligations (Continued)

The primary method used to estimate the standalone selling price is the adjusted market assessment approach, under which we evaluate the market and estimate a price that a customer would be willing to pay for the goods and services we provide.

Royalties and brand development fees are a percentage of franchisees yearly gross receipts, as defined in the franchise agreement and are recorded as revenue when earned. These revenues are recognized weekly as the transaction price is determined based on each franchisee's weekly sales. Income from sales of franchises are recognized at the point when all material services or conditions relating to the sale have been substantially performed or satisfied by the Company, substantially all of the initial services of the Company required by the franchise agreement have been performed, and no other material conditions or obligations relating to the determination of substantial performance exist, in accordance with the practical expedient permitted under FASB ASC 606 for franchisors. After both parties sign the contract, the fee is nonrefundable. Initial services may include training, advisory, and inspection and testing procedures.

Contract Balances

The timing of billings, cash collections, and revenue recognition results in accounts receivable (contract assets) on the balance sheets. Receivables are only recognized to the extent that it is probable that the Company will collect substantially all of the consideration to which it is entitled in exchange for the goods and services that will be transferred.

Accounts receivable for royalties and fees are recorded at the amounts the Company expects to collect on balances outstanding at the end of the year. Late fees can apply if customers do not conform to payment terms. Management closely monitors outstanding balances, existing economic conditions, and historical collection information, and provides for estimates of uncollectible balances in an allowance for doubtful accounts. Accounts are charged off when management deems them uncollectible. All accounts are considered collectible at December 31, 2024, 2023, and 2022.

All of the Company's contract assets and liabilities are considered accounts receivable and deferred revenue, respectively, on the balance sheet. Total accounts receivable from contracts with customers were \$3,986, \$14,602, and \$3,643 in 2024, 2023, and 2022, respectively. Contract liabilities in the amount of \$0, \$0, and \$94,000 were included in deferred revenue on the balance sheets in 2024, 2023, and 2022, respectively.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Costs to Obtain a Contract

There are certain costs associated with obtaining a contract, including proposal development costs, which are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are considered immaterial and thus have been expensed in the period incurred instead of deferred and then amortized over the period of benefit, which would be the life of the initial franchise agreement.

Practical Expedients and Optional Exemptions

The Company elected to adopt this standard using the modified retrospective approach with the cumulative effect of adoption recognized at the initial date of application. The Company has elected to apply the standard only to contracts which are not completed at the initial date of application.

The Company has made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by governmental authorities which are both imposed and concurrent with the specific revenue-producing transactions and collected by the entity from the Company's customers, e.g., sales and use taxes.

Income Taxes

The Company, with the consent of its members, has elected to be treated as a partnership, under the Internal Revenue Code. Under such provisions, partnerships as entities are not liable for income taxes. The members are required to report their respective share of the Company's income or loss and other tax items on their income tax returns. Therefore, no provision or liability for income taxes is included in the accompanying financial statements.

The Company's income tax filings are subject to audit by the IRS and the State of South Carolina, generally for three years after filing.

Advertising

The Company expenses costs for advertising as the costs are incurred.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Company evaluated subsequent events through the date that the financial statements were available to be issued. The Company is not aware of any significant events that occurred subsequent to the balance sheet date but prior to February 17, 2025 that would have a material impact on the financial statements.

NOTE 2 - BRAND DEVELOPMENT FUND

Pursuant to its franchise agreements, the Company maintains a Brand Development Fund (BDF) in a separate bank account apart from normal operating funds. The BDF consists of funds collected from its franchisees and not yet expended for advertising and marketing purposes for the benefit of all franchisees. The BDF was established during 2016. Total funds collected from franchisees for 2024, 2023, and 2022, totaled $92,543, $93,510, and $88,895, respectively.

NOTE 3 - INTANGIBLE ASSETS

The Company's intangible assets at December 31, 2024, 2023, and 2022, of $76,658, $76,658, and $76,658, respectively, consisted of training guides, workbooks, manuals, equipment specs, flashcards, trademarks, and other franchise-related materials, in addition to the creation of the initial franchise disclosure documents and franchise agreements.

NOTE 4 - FIXED ASSETS

The following is a summary of fixed assets at December 31:

	2024	2023	2022
Vehicles	$ 39,700	$ 39,700	$ 39,700
Less: Accumulated Depreciation	(39,700)	(39,700)	(32,438)
Fixed Assets, Net	$ ---	$ ---	$ 7,262

Depreciation expense for the years ended December 31, 2024, 2023, and 2022, was $0, $7,262, and $7,940, respectively.

NOTE 5 - NOTE PAYABLE

The Company entered into a note payable for the purchase of a vehicle in 2018. The amount of the note was $36,823 and is to be repaid with 72 monthly principal and interest payments of $550. The balance on the note as of December 31, 2024, 2023, and 2022 was $916, $7,486, and $13,694, respectively.

NOTE 5 - NOTE PAYABLE (CONTINUED)

Maturities of long term debt as of December 31, 2024 are as follows:

2025	$	916
Total	$	916

NOTE 6 - FRANCHISE FEE REVENUES

The Company's franchise fee and royalty revenues consisted of the following for the years ended December 31:

	2024	2023	2022
Initial Franchise Fees	$ 79,900	$ 141,000	$ 105,500
Royalty Fees	336,892	268,250	269,809
Brand Development Fund Fees	92,543	93,510	88,895
Total	$ 509,335	$ 502,760	$ 464,204

NOTE 7 - FRANCHISES IN OPERATION

Franchise activity for the years ended December 31 was as follows:

	2024	2023	2022
Operating at Beginning of Year	11	9	9
Franchises Opened	3	2	1
Franchises Closed	(4)	(0)	(1)
Operating at End of Year	10	11	9

NOTE 8 - COMMITMENTS

The Company neither owns nor leases any real or personal property. A related party has provided office services without charge. Additionally, the Company provides its franchises with management training and other general support services, pursuant to its franchise agreements.

NOTE 9 - PRIOR PERIOD ADJUSTMENT

During the audit for the year ended December 31, 2024, the Company determined that there was an accounting error related to Prepaid Expenses as of December 31, 2023. Upon examination, an adjustment was made to correct the balance. The effect of the error correction resulted in the following changes:

		As Previously Reported		As Restated
Prepaid Expenses as of December 31, 2023	$	---	$	17,618
Members' Equity as of December 31, 2023	$	134,545	$	152,163
Insurance Expense for the year ended December 31, 2023	$	26,310	$	8,692

KLAPPENBERGER & SON
TABLE OF CONTENTS TO OPERATIONS MANUALS

EXHIBIT E TO THE DISCLOSURE DOCUMENT

KLAPPENBERGER & SON® FRANCHISE OPERATIONS MANUAL

TABLE OF CONTENTS

SECTION A: INTRODUCTION

SECTION B: PRE-OPENING PROCEDURES

SECTION C: HUMAN RESOURCES

SECTION D: SALES PROCEDURES

SECTION E: OFFICE PROCEDURES

SECTION F: MANAGEMENT PROCEDURES

SECTION G: ON-SITE PROCEDURES

SECTION H: MARKETING AND PROMOTION

KLAPPENBERGER & SON
STATE SPECIFIC ADDENDA

EXHIBIT F TO THE DISCLOSURE DOCUMENT

VIRGINIA ADDENDUM TO

FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Hook & Wilson, LLC for use in the Commonwealth of Virginia is amended as follows:

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

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

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

KLAPPENBERGER & SON

LIST OF FRANCHISEES AS OF DECEMBER 31, 2024

EXHIBIT G TO THE DISCLOSURE DOCUMENT

<u>**Alex Mironov (APR Montgomery North & South County, MD, and Loudoun County, VA)**</u>
451 Hungerford Drive, Suite 119-316
Rockville, MD 20850Phone: 240-428-0099

<u>**Daniel Tucker (APR Anne Arundel County, MD and APR District of Columbia)***</u>
7608 Boxberry Terrace
Gaithersburg, MD 20879
Phone: 724-570-0941

<u>**Kenny Lee (1 - APR Carroll County, MD, Frederick County, MD, 2 - portions of Northern Baltimore County, MD, and Baltimore County, MD, and 3 - Howard County, MD)**</u>
1243 Cherrytown Rd.
Westminister, MD 21158
Phone: 703-899-2408

<u>**Danelle & Ron Dillman (APR Oklahoma City, OK)**</u>
12566 NS 3520
Seminole, OK 74868
Phone: 405-683-2416

<u>**Saidul Islam (APR Columbus, OH)**</u>
<u>5868 Dunheath Loop</u>
<u>Dublin, OH 43016</u>
<u>Phone: 614-354-9384</u>

<u>**Robert F. Gates (APR southern half of Nashville, TN)**</u>
149 Bromley Park Ln
Franklin, TN 37069
Phone: 615-642-9900

<u>*All franchisees own one franchise except Mr. Mironov owns two franchises (one in MD and one in VA); Mr. Tucker owns two franchises (one in MD and one in DC); and Mr. Lee owns three franchises (all in MD).</u>

KLAPPENBERGER & SON
LIST OF FRANCHISEES THAT LEFT THE SYSTEM
(INCLUDING TRANSFERS AS OF DECEMBER 31, 2024

EXHIBIT H TO THE DISCLOSURE DOCUMENT

Arturo Lacayo & Analucia Arguello (APR Howard County, MD and City of Laurel, MD)
11045 Candlelight Ln.
Potomac, MD 20854
Phone: 202-644-6105

Darryl Marlow (APR Dekalb & Henry Counties, in Atlanta, GA)
524 Goldfinch Way
Stockbridge, GA 30281
Phone: 404-200-8897

Véronique Amyot (APR Brevard County, Florida
965 Deer Run Dr.
Melbourne, FL 32940
Phone: 514-967-3116

Rafael Graham & Luis Ben Camacho Gonzalez (APR West TX)
5107 Cypress View Cove
Katy, TX 77494
Phone (Rafael Graham): 832-294-5225
Phone (Luis Ben Camacho Gonzalez): 832-272-6762

KLAPPENBERGER & SON
LIST OF FRANCHISEES SIGNED BUT NOT OPENED
AS OF THE DATE OF THIS DISCLOSURE DOCUMENT

EXHIBIT I TO THE DISCLOSURE DOCUMENT

None.

KLAPPENBERGER & SON
STATE EFFECTIVE DATES

EXHIBIT J TO THE DISCLOSURE DOCUMENT

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin. This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	**Effective Date**
California	Not Registered
Connecticut	Not Registered
Florida	July 26, 2024
Illinois	Not Registered
Indiana	Pending
Kentucky	Not Registered
Maryland	Pending
Michigan	Not Registered
Minnesota	Not Registered
Nebraska	Not Registered
New York	Not Registered
North Carolina	May 12, 2022
North Dakota	Not Registered
Rhode Island	Not Registered
South Carolina	June 13, 2022
South Dakota	Not Registered
Texas	January 20, 2022
Utah	Not Registered
Virginia	Pending
Washington	Not Registered
Wisconsin	Not Registered

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Hook & Wilson, LLC offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If you are a resident of New York, you must be provided with this Disclosure Document the earliest of the first meeting to discuss our franchise, 10 business days before signing a binding agreement or 10 business days before any payment to us. If you are a resident of Michigan, Oregon, or Wisconsin you must be provided with this Disclosure Document 10 business days before signing a binding agreement.

If Hook & Wilson, LLC 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit A.

See Exhibit B for our Resident Agents authorized to receive service of process.

I have received a disclosure document dated March 17, 2025, that included the following Exhibits:

A. LIST OF STATE ADMINISTRATORS
B. LIST OF AGENTS FOR SERVICE OF PROCESS
C. FRANCHISE AGREEMENT
D. FINANCIAL STATEMENTS
E. TABLE OF CONTENTS TO OPERATIONS MANUAL
F. STATE SPECIFIC ADDENDA
G. LIST OF FRANCHISEES AS OF DECEMBER 31, 2024
H. LIST OF FRANCHISEES THAT LEFT THE SYSTEM (INCLUDING TRANSFERS AS OF DECEMBER 31, 2024)
I. LIST OF FRANCHISEES SIGNED BUT NOT OPENED AS OF THE DATE OF THIS DISCLOSURE DOCUMENT
J. STATE EFFECTIVE DATES

David Klappenberger acts as our franchise seller. His address is 902 Bluffview Drive, Myrtle Beach, South Carolina 29579, and his telephone number is (443) 223-0645. In addition, ____ (Name, address and telephone number of franchise broker and/or referral source(s)) introduced me to Hook & Wilson, LLC.

Date of Receipt: ___________Prospective Franchisee, individually and as an officer or partner of a __________ corporation/partnership]

Please retain this copy of the Receipt Page

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Please sign this copy of the Receipt Page, date your signature, and return to:
Hook & Wilson LLC, 902 Bluffview Drive, Myrtle Beach, South Carolina 29579