



FRANCHISE DISCLOSURE DOCUMENT

LOCALS OPERATING COMPANY, LLC

A South Dakota limited liability company

412 South First Avenue

Sioux Falls, SD 57104

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The franchise offered is for the operation, in a designated geographic area, of a Locals Love Us[®] business (a "Business"), a community-centered marketing program that ranks local businesses according to proprietary online consumer surveys and then sells advertising and promotional services to the highest rated businesses.

The total investment necessary to begin operation of a Locals Love Us business ranges from **\$66,750 to \$91,833**. This includes a total of \$34,000 that must be paid to us.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Director of Operations of Locals Operating Company at 412 South First Avenue, Sioux Falls, SD 57104, telephone (605) 951-9123.

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

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

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

Issuance Date: March 6, 2024

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Locals Love Us 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 Locals Love Us franchisee?	Item 20 or Exhibit G 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 Franchise *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 delegates. These items may be more expensive than similar items you could buy or 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 the franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

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

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

Some States Require Registration

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

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, arbitration, and/or litigation only in South Dakota. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate, arbitrate, or litigate with the franchisor in South Dakota than in your own state.
2. **Sales Performance Required.** You must maintain sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchisor in a system with a longer operating history.

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

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**FRANCHISE DISCLOSURE DOCUMENT
FOR PROSPECTIVE FRANCHISEES**

LOCALS OPERATING COMPANY, LLC

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “Locals Love Us,” “we” or “us” means Locals Operating Company, LLC (the “Franchisor”). “You” means the person or business entity that buys the franchise (the “Franchisee”). If the Franchisee is a corporation, partnership or other entity, “you” includes the Franchisee’s owners.

The Franchisor and Related Parties

The Locals Love Us concept dates to 2005 when Eric Holman, the originator of the Locals Love Us concept, founded and operated a business similar to the franchise offered in the Sioux Falls, South Dakota, area in January of 2005, under the name “The Local Best.” Mr. Holman (as a sole proprietor) merged his business (The Local Best) into us when it was founded in April of 2011.

Our predecessor, Locals Love Us, LLC (“LLU”), a South Dakota limited liability company, organized on April 15, 2011. LLU had the same principal business address as us. LLU acquired the rights to the Locals Love Us business system from Mr. Holman. Another predecessor of ours, Locals Love Franchising, LLC (“LLF”) acquired the rights of Locals Love Us business from LLU in 2013. LLU then reacquired the rights of the Locals Love Us Business from LLU in January 2021. LLU offered franchises for Locals Love Us Businesses from January 2021 through August 2023 when LLU transferred all of the assets of the franchise system, including the franchise agreements, to us.

We are a South Dakota limited liability company organized on August 16, 2023. We do business under our entity name and under the name “Locals Love Us” (“Locals Love Us”). Our principal business address is 412 South First Avenue, Sioux Falls, SD 57104, telephone (605) 759-4802. Our agents for service of process are disclosed in **Exhibit D**.

We grant franchises for the operation of Locals Love Us Businesses (described below) and have been engaged in the administration of our franchise system since March 2024. We have not operated Locals Love Us businesses similar to the franchise being. We have not engaged in or offered franchises in other lines of business.

Our parent company is FiveFour LLC (“FiveFour”), a South Dakota limited liability company organized in March 2010. FiveFour has a principal address of 412 South First Avenue, Sioux Falls, SD 57104. FiveFour offers businesses training and consulting services. FiveFour has not offered franchises in any line of business but does make its products and services available to our franchisees under an agreement directly with FiveFour.

Neither we, LLU, nor LLF have engaged in or offered franchises in any other line of business.

The Business

The Locals Love Us business concept is a community-centered marketing program that generates revenue by selling advertising to the businesses who earn the most votes in our secure, online survey in a specified local area (your “Market”). Locals Love Us franchisees conduct an annual campaign to get local

consumers to vote for their favorite local businesses in more than 200 categories. Consumers who are over the age of 13 and located within the Market are eligible to vote, using their email and cell phone for verification. Businesses voted in the top five of their category (winning businesses) are published in online and printed guides and have the exclusive opportunity to purchase advertising in those guides. The franchisee sells online and print advertising to those winning businesses and then promotes and distributes the guides in their Market. Because this is a community-centered marketing program, Locals Love Us franchisees are encouraged to serve the community by giving free or discounted advertising to non-profit organizations and philanthropic businesses. The Locals Love Us business concept is seasonal, with an annual program that has four phases: (1) campaigning (1-2 months), (2) selling (4-5 months), (3) proofing and publishing (1 month), and (4) serving (4-6 months). The first three phases of your calendar are “Selling Season” and are intensely active, with a large amount of work, promotion and sales activity. The fourth phase, the “Serving Season,” is a slower time during which you distribute print guides and maintain customer relationships. Together, the four phases, totaling 12 months, are referred to as an “Annual Cycle.”

In the future, the Locals Love Us business concept also may include advertising, marketing and promotional services for you to provide to businesses in your Market. For example, you may be required to offer graphic design services, Search Engine Optimization services, business training, or other types of community-based marketing.

As a Locals Love Us Franchisee, you are not required to establish a physical business location and you may operate your business from your home. You are required to have a vehicle dedicated to the business, which must be wrapped according to our specifications. You are required to operate your business according to the methods, standards, designs, trademarks, specifications and requirements that we designate and maintain for Locals Love Us businesses (the “System”).

Market and Competition

The market for business advertising, marketing and promotional services is well developed. You will sell advertising to local businesses, which will put you in competition with any and all businesses that offer marketing and promotional services to other business. Competitors will include (but are not limited to) operators of other websites and print guides, traditional advertising/marketing agencies, the Yellow Pages and similar guides, coupon books, Yelp, Angie’s List, Groupon® and similar businesses, direct-mail advertising firms, community newspapers, local radio and television stations, etc.

Regulations

You must comply with all laws which apply to the operation of your Business including obtaining any required permits or licenses. In addition, the federal government and some states regulate privacy, data security and the collection of information from members of the public. For example, the Children’s Online Privacy Protection Act (“COPPA”) regulates the collection of information online from children under the age of 13, whether through either a general audience website or through a website directed toward children. State and local laws may also regulate online data collection and consumer privacy, regarding topics such as collection, storage and use of consumer information, security breach notifications and other similar topics. It is your responsibility to become aware of and comply with all laws governing privacy, data security and online information collection that apply to your Business.

There are other federal, state and local laws with which you will also need to comply. Examples of federal laws affecting most businesses include wage and hourly restrictions, occupational health and safety, equal employment opportunity, taxes, communication to employees, hazardous waste and environmental, and the Americans With Disabilities Act. Typically, state laws cover many of these same topics.

ITEM 2 BUSINESS EXPERIENCE

President: Dr. Nathan Unruh

Dr. Unruh has been our President since August of 2023 when FiveFour acquired Locals Love Us. He has been President of FiveFour since the acquisition of the business in September of 2023. Dr. Unruh is also currently the Chief Executive Officer of QUVR, a role he has held since January 2023. Dr. Unruh also cofounded SIDECAR, LLC in June 2013 and continues to work with the company. In 1999, Dr. Unruh founded Envive Chiropractic, which grew to three locations in South Dakota. Dr. Unruh remained affiliated with Envive Chiropractic until February 2023.

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

You must pay us an initial franchise fee of \$29,500 when you sign your franchise agreement (the “Franchise Agreement”). The initial franchise fee is fully earned by us when you sign the Franchise Agreement and is not refundable under any circumstances. The initial franchise fee is identical for all franchisees. We do not finance the initial franchise fee and we do not generally offer installment payment terms. You must also pay to us an initial set-up fee of \$4,500 for your market website, email addresses and access to LoLu -Your Personal Digital Assistant™, which includes our proprietary CRM Software and custom content management system that you will use in the operation of your Business (further described in Item 11 below). These fees are not refundable under any circumstances.

The above-described fees are the only payments you must make to us for services or goods provided before your Business begins operating.

We continue to reserve the right to waive or reduce the initial franchise fee for our current employees who sign a franchise agreement with us for the operation of existing markets that we currently operate.

**ITEM 6
OTHER FEES**

Type of Fee(1)	Amount	Due Date	Remarks
Royalty	9% of Gross Revenues	Payable on the 1st day of each month for the previous month	See Note (2)
System Marketing Fund Contributions	1% of Gross Revenues	Payable on the 1st day of each month for the previous month	See Note (3)
Initial Launch Marketing Expenditures	\$20,000	As incurred, within the first 6 months of launching your Business	This is to promote the opening of your Business and counts toward your Local Marketing Expenditure in the first year of your franchise agreement.
Local Marketing Expenditures	At least \$20,000 each year	As incurred, throughout your Selling Cycle	See Note (4)
LoLu Fee for LoLu – Your Personal Digital Assistant	\$100 per month	Payable on the 1st day of each month for the previous month	This fee becomes payable beginning when you commence your first promotional campaign. See Item 11.

Type of Fee(1)	Amount	Due Date	Remarks
Graphic Design Fees	\$46.00/hour, subject to annual CPI adjustment	Payable on the 1st day of each month for the previous month	You are required to use the services of our graphic design center in the creation of all advertising content (for the website and print guide).
Content Review Fees	\$46.00/hour, subject to annual CPI adjustment	Payable on the 1st day of each month for the previous month	You must submit all advertising content (for the website and print guide) created by a third party to us for compliance review, prior to publication.
Renewal Fee	\$2,000	Upon signing new franchise agreement	
Transfer Fee	75% of our then-current initial franchise fee; or 40% of our then-current initial franchise fee if the transferee is an existing franchisee in good standing	Before transfer	The Transfer Fee applies when an existing franchisee desires to transfer its ownership interest in the franchised business to a new owner. We must approve of all transfers.
Audit Fees	Cost of Audit	Upon demand after audit	Only payable if there is an understatement of Gross Revenues of 2% or more.

Type of Fee(1)	Amount	Due Date	Remarks
Interest	1-1/2% per month	Upon demand	Not to exceed maximum amount permitted by law.
Additional Training	\$2,000 per week	At time of training	See Note (6).
Late Fee	\$100	Upon demand	Payable if you are more than 5 days late in the payment of any amount owed to us.

Notes:

1. **Non-Refundable.** All fees are non-refundable unless otherwise noted. All fees are uniformly imposed and collected.
2. **Royalty.** You pay us a non-refundable Royalty equal to 9% of your Gross Revenues from your Business. Gross Revenues means the gross amount, whether in money or other form of consideration, earned or received by you from any source in connection with the operation of the Business, or with any similar or related activity arising directly or indirectly from whatever source. "Gross Revenues" shall not include any sales tax or other taxes collected by you and transmitted to the appropriate taxing authority and refunds actually paid to clients. We will collect this fee by means of direct debit.
3. **System Marketing Fund Contributions.** You must contribute 1% of your Gross Revenues to the System Marketing Fund. We will collect these contributions by means of direct debit and they are not refundable. Under the franchise agreement, we have the right to increase the amount of required contribution, to up to a maximum of 3% of Gross Revenues, but only if we obtain the consent of 60% or more of the individual Businesses (both franchised and company-owned) that are operating under the System at the time we seek to implement the increase.
4. **Local Marketing Expenditures.** We require that you spend this minimum amount on marketing activities in your market. These amounts will be spent on promotion of your Locals Love Us business and the voting campaign, voter awards, decals, vehicle wraps, advertising, social media, promotional activities, and publicity initiated by you. These amounts may also include membership in local trade and business associations, such as the Chamber of Commerce. We have the right to approve all marketing activities that you conduct and we may set forth marketing guidelines in the Operations Manual. Typically, these amounts are paid to third party vendors that you use to conduct your local marketing activities. However, if you fail to spend the required amount, we have the right to collect the unspent portion from you and spend it on general promotion of the brand. In the first year of your Business, the \$20,000 (minimum) that you spend on the required Initial Launch Marketing (as noted in the preceding row of the table), is counted towards your annual required expenditure. This expenditure requirement is in addition to the System Marketing Fund contributions.

5. **Additional Training.** If you hire a new manager or additional salespeople, they will be required to attend and successfully complete initial training. We may also require you to attend additional training or retraining. We may charge you a training fee up to \$2,000 per week. This fee would be in addition to your travel and lodging costs.

ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT (1)	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee (2)	\$29,500	Lump Sum	When you sign the Franchise Agreement	Us
Website, email, and LoLu Setup Fee (3)	\$4,500	Lump Sum	When you sign the Franchise Agreement	Us
Office Equipment & Supplies (4)	\$0 to \$2,500	As Agreed Upon	Before Opening	Various Third-Party Suppliers
Vehicle and Insurance (5)	\$1,500 to \$4,500	As Agreed Upon	Before Opening	Various Third-Parties
Business Licenses and Permits (6)	\$200 to \$500	As Incurred	Before Opening	Licensing Authority
Professional Fees (7)	\$800 to \$2,000	As Agreed Upon	As Incurred	Various Third-Parties
Business Insurance (5)	\$250 to \$333	As Agreed Upon	Before Opening	Third Party Supplier
Training Expenses (8)	\$0 to \$4,000	As Agreed Upon	As Incurred	Various Third-Parties
Grand Opening Advertising (9)	\$20,000	As Incurred	As Incurred	Various Third-Parties
Additional Funds / Working Capital – 3 months (10)	\$10,000 to \$24,000	As Incurred	As Incurred	Various Third-Party Suppliers
TOTAL (11)	\$66,750 to \$91,833			

Notes:

- (1) All fees are non-refundable unless otherwise noted.
- (2) The initial franchise fee is payable to us and is more fully described in Item 5.
- (3) The estimate assumes you already own a computer, printer, phone and tablet. If you do not own a computer, printer, phone and tablet, we estimate the cost of these items will be between \$1,500 and \$2,100.
- (4) You will require furniture and certain supplies to operate out of your home. You may already

- have some or all of the required items necessary. In instances where you have all of the necessary items, this expenditure could equal \$0. Although not required, you may choose to lease office space in your Market from which to operate your Business. We do not require any minimum square footage or type of space. The size and type of the premises that you choose may vary based on properties available in your area. It is expected that any premises you choose to secure will be located in an office, industrial or mixed use development, be large enough to accommodate one desk and have access to a high-speed internet connection. The cost of obtaining separate office space is not included in this estimate.
- (5) You will need a vehicle that meets our standards, which must be wrapped according to our specifications. You may already have such a vehicle. We have the right to approval of the vehicle as described in Item 8. You must secure policies for the insurance set forth in the Manual. Your cost of insurance may vary based on your location in the country, the value of your vehicle and equipment, and other factors.
 - (6) Local government agencies typically charge fees for such things as business licenses. This includes licensing fees for your vehicle.
 - (7) You should employ an attorney, an accountant and other consultants to assist you in establishing your Business. These fees may vary from location to location depending upon prevailing rates.
 - (8) We do not charge a fee for training you and one additional individual who will participate in the operations of your Business. However, you are responsible for transportation and expenses for food, lodging and wages while attending training. The total cost will vary depending on the number of people attending, the distance traveled, and the type of accommodations you choose. If you do not have to travel for the training, this expenditure could equal \$0. See Item 11.
 - (9) You are required to spend an initial amount on public relations and promotional activities in the first six months of operating your Business, according to our specifications.
 - (10) This amount estimates the expenses you will incur during the first 3 months of Business operations. These amounts are estimates, and we cannot guarantee that you will not incur additional expenses in starting the Business. Your costs will depend on factors such as how much you follow our systems and procedures, your management skills and experiences, local economic conditions, the local market for Locals Love Us services, competition, the amount of the initial investment you decide to finance, and the sales level reached during the initial period.
 - (11) This total is an estimate of your pre-opening initial investment and the expenses you will incur during the first 3 months of business operations. This total is based on the assumption that you will operate the Business from your home. This total is based on our estimate of nationwide average costs and prevailing market conditions and our (including our predecessor's) years of operating a business similar to the franchise offered. You should review this amount carefully with a business advisor before deciding to purchase the franchise. These figures are estimates only and we cannot guarantee that you will not have additional expenses in starting or operating your Business. Neither we nor our affiliates finance any part of the initial investment.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Rebates

Although we reserve the right to do so in the future, neither we nor any affiliate received any rebates or similar payments from third-party suppliers as a result of franchisee purchases in 2022.

Required and Approved Suppliers

In order to maintain the uniformly high standards and reputation of our franchise system, we will formulate standards and specifications we deem necessary to protect our marks and image. Accordingly, you will be required to purchase certain items from suppliers designated or approved by us. This requirement applies to signage, vehicle wraps, furniture, fixtures, advertising materials, accounting software, payroll services, and merchant services.

You are required to purchase or lease computer hardware and software and fixtures which meet our specifications, if you do not already have these items. See Item 11 for information regarding the required information system.

You must use at least one vehicle that meets our standards and specifications, including all required wraps, logos and signage. You may already own such a vehicle. If you do not own such a vehicle, it may be purchased or leased from a car dealership or an individual. We have the right to approve or disapprove the vehicle that you have or that you lease or purchase, and will consider items such as its physical and mechanical condition, and other commercially reasonable criteria.

You will pay us for all graphic design services provided (“Graphic Design Fee”). Currently, the Graphic Design Fee is \$46.00 per hour. Based on our predecessor’s and our records, in 2023, we and our predecessor, collectively, received revenue of \$292,932 from Graphic Design fees paid to us or our predecessor by our franchisees.

In the event that you require any additional assistance from our graphic design center beyond the services described in this Item 8, we will provide such assistance at the hourly rate of our staff or any third-party designers that we select, which is currently \$46.00/hour.

All fees for services provided by our graphic design center that are based on an hourly rate are subject to annual adjustment by us, based upon changes in the Consumer Price Index (“CPI”).

Our President, Dr. Nathan Unruh, owns an interest in us and FiveFour.

As part of your annual advertising spend, you are required to purchase award plaques and decals from our designated supplier, AlphaGraphics of Sioux Falls, and provide them to every local business that is named a winner in your annual survey.

Specifications may include minimum standards for quality, quantity, delivery, design, appearance, durability, style, price range and other related restrictions. If you propose to purchase any items from a supplier not previously approved in writing by us, but which you believe meet our quality control specifications, you must first notify us. We may require, among other things, submission of sufficient samples, specifications, photographs, drawings and other related information to determine whether items meet our specifications. The proposed supplier will pay a charge not to exceed the reasonable costs of inspection and the actual cost of the test.

We apply the following general criteria, among others, in considering whether the supplier will be designated as an approved supplier:

1. Ability to provide the products or services and meet our standards and specifications for quality and uniformity;
2. Production and delivery capabilities and ability to meet supply commitments and deadlines;
3. Integrity of ownership (to assure that its association with us would not be inconsistent with our image);
4. Financial stability; and
5. The negotiation of a mutually satisfactory license to protect our intellectual property rights.

These criteria are only examples, and the criteria may change at any time in our sole discretion. We may modify the standards and specifications and will provide you with the approved lists as we deem advisable.

We will advise you within 15 days whether the proposed supplier meets our specifications, and our approval will not be unreasonably withheld. You will be notified in writing of our approval or disapproval of your proposed supplier. You will be notified in writing of a revocation of any approved supplier. Suppliers must maintain standards based on our written specifications and any modifications. Failure to correct a deviation from the System's specifications will result in the revocation of status as an approved supplier.

We may negotiate discounted prices for products with suppliers and you may, in that event, purchase products at the discounted price. We currently have no purchasing or distribution cooperatives serving the System. We do not provide any material benefits to franchisees for use of designated or approved sources. We will retain and use such payments as we deem appropriate. We also reserve the right to add a mark-up on products sold to you by us in the future.

The estimated proportion of the required purchases, purchases from approved suppliers and purchases in accordance with our specifications to all purchases is 90% to 93%, both for establishing the Business and for the ongoing operation of the Business.

You must carry insurance policies protecting you and us. More specifically, you must carry:

1. Workers compensation insurance with coverages as required by state and local law;
2. Automobile insurance with coverages as required by state and local law; and
3. Comprehensive general liability insurance (naming both you and us as insureds) with minimum coverage amounts of \$1,000,000 per occurrence and \$5,000,000 aggregate.

Except as described in this Item 8, there are no other requirements for you to purchase or lease based on our specifications or from approved suppliers.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 6.B	ITEMS 7 and 11
b. Pre-opening purchases/leases	Sections 6.B and C	ITEMS 7 and 8
c. Site development and other pre-opening requirements	Section 6.B	ITEM 11
d. Initial and ongoing training	Sections 5.A and D	ITEM 11
e. Opening	Section 6	ITEM 11
f. Fees	Sections 3, 4, and 11.B	ITEMS 5 and 6
g. Compliance with standards and policies/operating manual	Section 6	ITEMS 8 and 11
h. Trademarks and proprietary information	Section 7 Section 2.E in Owner Agreement	ITEMS 13 and 14
i. Restrictions on products/services offered	Sections 6 and 7	ITEM 16
j. Warranty and customer service requirements	None	Not applicable
k. Territorial development and sales quotas	Sections 2.A and 6.A	ITEM 12
l. Ongoing product/service purchases	Section 6	ITEM 8
m. Maintenance, appearance and remodeling requirements	Sections 3 and 6	ITEM 17
n. Insurance	Section 8	ITEM 8
o. Advertising	Section 4	ITEMS 6 and 11
p. Indemnification	Section 9	None
q. Owner's participation/management/ staffing	Section 6 Section 1.C in Owner Agreement	ITEMS 11 and 15

Obligation	Section in Franchise Agreement	Disclosure Document Item
r. Records and reports	Section 4	ITEM 17
s. Inspections and audits	Section 4	ITEMS 6 and 11
t. Transfer	Sections 11 and 12 Section 4 in Owner Agreement	ITEMS 6 and 17
u. Renewal	Section 3	ITEM 17
v. Post-termination obligations	Section 15 Section 2.B in Owner Agreement	ITEM 17
w. Non-competition covenants	Section 10 Section 2.B in Owner Agreement	ITEM 17
x. Dispute resolution	Section 17 Section 5.B in Owner Agreement	ITEM 17
y. Other	Not applicable	Not applicable

ITEM 10 FINANCING

Neither we nor any affiliate of ours offers direct or indirect financing to you. We do not guarantee your note, lease or other obligations.

ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEM AND TRAINING

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

Pre-Opening Obligations:

Before you open your Business:

1. We will designate your Market and evaluate the location of your Business. (See Section 5.B.ii of the Franchise Agreement.)
2. We will furnish you with specifications for all equipment, inventory and supplies for the operation of your Business. (See Sections 5.B and 6 of the Franchise Agreement.)
3. We will advise you on your opening launch marketing, recruiting and public relations efforts. (See Sections 5.B and 6 of the Franchise Agreement.)
4. We will provide an initial training program in the operation of the Business for you. (See Section 5.A.iii of the Franchise Agreement.)

We will loan to you our confidential Manual which will include specifications for equipment, supplies, inventory, management and operation. The Manual is confidential and remains our property. We

may modify the Manual, but these modifications will not alter your status and rights under the Franchise Agreement. The Manual contains both mandatory and suggested standards and procedures that we develop to ensure the brand standards for Locals Love Us Businesses and information relating to your obligations as a franchisee. At our option, we may provide you with an electronic version of the Manual instead of a paper version. (See Section 5.B.i of the Franchise Agreement.)

Obligations After Opening:

During the operation of the Business:

1. We will provide you with updates to the Manual. (See Section 5.B of the Franchise Agreement.)
2. We may hold periodic conferences or meetings to discuss marketing techniques, new developments, advertising programs, merchandising procedures and other topics. (See Section 5.B.ii of the Franchise Agreement.)
3. We will formulate advertising and promotional programs as further described in this Item 11. (See Sections 4 and 5 of the Franchise Agreement.)
4. We will provide you with ongoing consultation in such form and at such times as we deem appropriate. (See Section 5.B of the Franchise Agreement.)
5. We will provide you periodic operational support, as we determine, through us or through a designee. Currently, our affiliate, FiveFour, provides its services to you up to 4 times per year. The services provided by FiveFour and frequency in which FiveFour provides its services is subject to change without notice. The support visits will focus on strategies for increasing revenue, improving operations, controlling expenses, and maximizing profit. (See Section 5.B.iv of the Franchise Agreement.)
6. We will, on a periodic basis, conduct, as we deem advisable, inspections of the Business and its operations and evaluations of the operations. We specifically have the right to conduct unannounced visits at any time during business hours. Any visits to or inspections of your Business by us are to protect our interest in the Marks and the System and not to control the day-to-day operation of your Business or for supervision of your employees. (See Sections 5.B and 6.P of the Franchise Agreement.)
7. In exchange for the LoLu Fee, we will provide you with continued access to LoLu – Your Personal Digital Assistant and related updates and technical support, including IT, voting and data support, web-hosting, market data storage, CRM, design-file backup, email hosting and addresses for all sales agents, and access to our intranet with helpful documents and tips. Although we will pre-load business listing data obtained from a third-party supplier on your CRM Software, we make no warranties or claims regarding the accuracy of such data. (See Section 5.B.vi of the Franchise Agreement and Software License Agreement.)
8. In exchange for Graphic Design Fees, we will provide you with the services of our graphic design center to develop the business advertising for your print and online guides. We will have the right to place advertising that we designate on up to 2 full pages or 2% of the total page count (whichever is greater) of the print guides that you prepare in connection with your Business, without compensation to you. (See Sections 6.F and 6.G of the Franchise Agreement.)
9. We will provide ongoing consultation to help resolve operating problems. (See Section 5.B.iv of the Franchise Agreement.)

10. We will conduct market research and development that we deem appropriate to improve the System. (See Section 5.B.v of the Franchise Agreement.)

Site Selection

Your Market (defined in Item 12 below) will be determined at the time you sign the Franchise Agreement. It is anticipated and expected that the Business will be operated from your home, which must be located within your Market. You may wish to lease office space, and if you do, you are responsible for finding and selecting the location of the premises, provided it is within your Market. You will operate your Business only from premises which meet our standards and have been accepted by us. We will notify you of acceptance or non-acceptance of your proposed location within 30 days of your submission. If we do not approve the proposed location, you will have to find an alternative location of which we approve. This may delay the opening of your Business. Under the Franchise Agreement, we have the right to terminate if you do not begin operations within 9 months of the date of the Franchise Agreement. You may relocate your Business premises within your Market only with our prior written consent, which may be withheld in our sole judgment.

Marketing

System Marketing:

We will establish, maintain and administer a Locals Love Us System Marketing Fund. You will contribute 1% of your Gross Revenues to the System Marketing Fund. We have the right to increase this contribution amount up to a maximum of 3% of Gross Revenues, but only if we obtain the consent of 60% or more of the Businesses operating under the System at the time we seek to implement the increase. Payments to the System Marketing Fund are made at the same time and in the same manner as the Royalty. We will oversee all marketing programs and have sole control over creative concepts, materials and media used in such programs including the placement and allocation. We will use the System Marketing Fund to develop and administer advertising, marketing, recruitment and public relations materials. We cannot and do not ensure that any particular franchisee will benefit directly or pro rata from the System Marketing Fund expenditures. We intend that any company owned or affiliate owned Locals Love Us Businesses will make contributions to the System Marketing Fund on the same basis as the contributions required of franchisees.

We will administer and control the System Marketing Fund and we will have the absolute and unilateral right to determine how, when and where the monies in the System Marketing Fund will be spent. This includes the right to use System Marketing Fund monies for (a) broadcast or print advertising; (b) the design, creation, development and production of advertising and promotional materials, including, but not limited to, ad slicks, radio, film and television commercials, videotapes, direct mail pieces and other print advertising for both recruitment of staff and customers for our franchisees; (c) any advertising and marketing expenses, including payment for research and development and internal development of advertising and marketing tools; (d) services provided by outside advertising agencies, design firms or agencies, public relations firms or other marketing, research or consulting firms or agencies; (e) marketing meetings; (f) development and enhancement of web pages and Internet access provider costs; and (g) administrative costs.

All sums paid by you to the System Marketing Fund will be maintained in a separate account from our general funds and shall not be used to defray any of our general operating expenses, except for such reasonable administrative costs and overhead, if any, as we may incur in activities reasonably related to the administration or direction of the System Marketing Fund and advertising programs including, without limitation, costs incurred in collecting and accounting for assessments for the System Marketing Fund and

salaries for marketing support personnel. If we do not spend the monies in the System Marketing Fund in the year they were collected, they will be used the following year. Monies in the System Marketing Fund are not used to solicit the sale of franchises. We may increase the required contribution to the System Marketing Fund up to a maximum of 3% of Gross Revenues if we obtain the consent of 60% or more of the franchised and company-owned Businesses operating under the System.

Although we intend the System Marketing Fund to be of perpetual duration, we have the right to terminate it if we choose. We will not terminate the System Marketing Fund, however, until all monies in the System Marketing Fund have been expended for advertising and promotional purposes.

During 2023, we and our predecessor, received contributions into the System Marketing Fund. The funds we spent from the System Marketing Fund were spent solely on graphic design for an animated video, social media graphics and the annual sales and campaign materials for the franchisees. No amounts were spent from the System Marketing Fund on advertising principally directed at the sale of new franchises in 2023.

An unaudited accounting of System Marketing Fund contributions and expenditures will be prepared annually and will be made available to you upon request. At our option, any such annual accounting may include an audit of the contributions and expenditures of the System Marketing Fund prepared by an independent certified public accountant selected by us and prepared at the expense of the System Marketing Fund.

Other Advertising:

In addition to the contributions to the System Marketing Fund, you must spend at least \$20,000 on initial public relations and promotional activities in the first six months of operating your Business, according to our specifications.

In addition to your minimum initial marketing and promotional expense and System Marketing Fund contributions, you are required to spend a minimum of \$20,000 on approved local marketing on an annual basis.

Before using any promotional and advertising materials, you will submit to us, for our prior approval, all information pertaining to promotional materials and advertising initiated by you. In the event written disapproval of any such advertising and promotional material has not been given by us to you within 5 days from the date such information has been received by us, the materials will be deemed approved.

You must submit documentation of your advertising expenditures at such times and in such form as we designate. If you fail to make any required advertising expenditures, we have the right to require you to contribute the amount of any deficiency to the System Marketing Fund to be used by us for general advertising and promotion.

We reserve the right to require that local or regional advertising cooperatives be formed, changed, dissolved or merged.

You may not independently market on the Internet or use any domain name, address, locator, link, social media platform, blog, metatag or search technique with words or symbols the same or similar to the Marks, except as authorized by us in the Manual. All Internet marketing must be coordinated through and approved by us.

Training

We will provide training as described in the following chart:

Locals Love Us Initial Training Program

Subject	Hours of Classroom/ Platform Training	Hours of on the Job Training	Location
The Locals Love Us Introduction and Philosophy	1	0	Sioux Falls, SD or a location we designate
Pre-Opening Procedures	1	1	Sioux Falls, SD or a location we designate
Human Resources & Training program	1	1	Sioux Falls, SD or a location we designate
Running a Campaign	2	2	Sioux Falls, SD or a location we designate
Pre-Sales	2	2	Sioux Falls, SD or a location we designate
Sales Procedures	8	8	Sioux Falls, SD or a location we designate
Design and Publishing	2	1	Sioux Falls, SD or a location we designate
Distribution	1	1	Sioux Falls, SD or a location we designate
Office Procedures	1	1	Sioux Falls, SD or a location we designate
Marketing	1	1	Sioux Falls, SD or a location we designate
LoLu – Your Personal Digital Assistant	1	3	Sioux Falls, SD or a location we designate
TOTALS	21	21	

The classroom and on-the-job training summarized above will take place at our corporate headquarters in Sioux Falls, South Dakota. However, we may, in our sole discretion, elect to conduct a portion of the training program in your Market. In addition to the training summarized above, you are required to complete pre-training preparation (which consists primarily of reviewing and studying written instructional materials) before arriving in Sioux Falls for the training program. We anticipate that this will take approximately 5 full days to complete.

The training program is administered by Dr. Unruh, the FiveFour Growth Partners Team, our Director of Sales Training, and our Director of Operations. All involved persons have experience in some facet of the operation of a Locals Love Us Business. The initial training program will generally be conducted within 3 months after signing the Franchise Agreement. We do not charge for this training course for you and one additional individual that will participate in the operations of your Business, but you must pay all travel and living expenses associated with the initial training program. If we agree to provide the initial training at a location requested by you, you must pay all reasonable travel and living expenses incurred by our representatives to travel to the requested location. The initial training program is mandatory for you. If you are an entity, the initial training program is mandatory for the owner who will devote full time and best efforts to the development and operations of the Business (the “Principal Operator”). You or the Principal Operator must complete the training program to our satisfaction before the opening of the Business. Training will be held at our office in Sioux Falls, South Dakota, or an alternative location as we choose. The primary instructional materials used in the training program consist of the Manual and other training materials we designate.

If you hire additional employees to participate in the Business, they must also complete the initial training program. Individuals that will only participate in a sales role for the Business will be provided an abbreviated 2-day program focused on sales-related subjects outlined in the table above. If we provide training to any additional employees, we may charge you a training fee of up to \$2,000 per week. You must pay all travel and living expenses for such individuals to attend the initial training program.

We reserve the right to require you and any of your employees to attend additional training. Ongoing training or re-training may be required as determined by us. The cost of attending any future training or retraining shall be paid by you. If we require you to attend additional training or retraining, we may charge you a training fee up to \$2,000 per week. The purpose of both the initial training program and any ongoing training is to provide you and your managers with information to enable you to adhere to the System and our brand standards, and not to control the day-to-day operation of your Business or to supervise your employees.

LoLu – Your Personal Digital Assistant

You must purchase (or lease), use, maintain and update computer and other systems and software programs which meet our specifications as they evolve over time and which, in some cases, may only be available from designated suppliers (the “Information System”). Currently, we do not specify a particular brand or model of computer equipment, but the required Information System must be able to access the Internet and receive a high-speed Internet connection. The Information System will be used in the day-to-day operation of the Business primarily to access LoLu, our proprietary Internet-based software and custom content management system (CMS). LoLu collects consumer votes for thousands of brands across hundreds of categories, verifying the voters and ensuring the integrity of the collected data. Our website then displays a guide of local winners for consumers and provides a platform for the franchisee to sell advertising to those winners. The website has a backend CMS that is integrated with the CRM for tracking sales and customer relationships, mapping guide distribution locations, managing the design process, as well as generating invoices and other reports. You will pay us an initial fee of \$4,500 for the installation and set-up of LoLu, which includes the set-up of business data for your specific Market. Currently, you must also purchase and use the latest version of QuickBooks accounting software as part of the Information System, to assist in managing your financial statements and in reporting Gross Revenues and other various operational figures to us.

Once you have begun your first promotional campaign for your Business, which is marked by the start of the voting period for consumers to select their favorite businesses (as further described in the Manual), you will begin paying us a monthly fee of \$100 per month for continued access to LoLu and related support. The LoLu Fee includes IT, voting and data support, web-hosting, market data storage, design-file backup, email hosting and addresses for all sales agents and access to our intranet with helpful documents and tips. The LoLu Fee also includes all periodic updates to and technical support for the CRM and CMS. These systems are designed to enable you to focus on selling and managing your Market. The Information System will also be used to report and communicate with us, for your accounting and record-keeping and for other uses as we designate.

You must maintain your Information System’s network and you must promptly update and otherwise change your computer hardware and software systems as we require, at your expense. You must pay all amounts charged by any supplier or licensor of the systems and programs used by you, including charges for use, maintenance, support and/or update of these systems or programs. We will have direct access to the data regarding the Business.

The estimated initial cost of LoLu is \$4,500. The cost of all required maintenance, updating, upgrading and support for the Information System is included in the LoLu Fee of \$100 per month, although

this amount does not include the cost of replacement hardware, if and when hardware replacements are needed. You may only use or download software we have designated or approved. If you use or download any unauthorized software, you will be liable for any resulting damage and repair costs. We reserve the right to require you to upgrade your Information System. Further, there are no limits on our ability to have independent access to the information and data stored on your Information System, including without limitation all Customer Data (as defined in Section 1.D of the Franchise Agreement).

Operations Manual

The Table of Contents of the Manual is contained in **Exhibit F** to this Disclosure Document. The total number of pages in the Manual is 228.

Opening

The length of time between signing the Franchise Agreement and opening your Business will vary. We estimate that the typical length of time between the date you sign the Franchise Agreement and the date you open for Business will be 5 to 9 months.

ITEM 12 TERRITORY

You are granted the right to operate your Business within a specific geographic market (a “Market”) and we will not locate another Locals Love Us company-owned or franchised Business in your Market so long as you are in compliance with the Franchise Agreement, including achievement of established minimum gross revenue requirements. You will not, however, receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribute or competitive brands that we control.

You must reach during each year of the Franchise Agreement a minimum level of Gross Revenues as follows: Year 1: \$200,000; Year 2: \$300,000; Year 3: \$375,000; Year 4: \$425,000; and Year 5: \$475,000. If you fail to meet the minimum Gross Revenue requirements, we may operate or franchise others to operate a Locals Love Us business under the Locals Love Us name within your Market.

As of the date of this Disclosure Document, we do not operate franchises, or have plans to operate or franchise a business under a different trademark that will sell goods or services similar to those that you will offer.

Your market will be determined by the primary zip codes that comprise the community, and occasionally may include some additional outlying areas. In general, we anticipate that each Market will contain approximately 5,000 businesses (or more) with an approximate population of 100,000 or more. We do not have the right to unilaterally alter your Market. We do not grant any rights of first refusal or similar rights to acquire additional markets.

You may not conduct or direct marketing outside of your Market without our prior written consent, which may be revoked at any time. In general, your sales activity will be limited to businesses that are physically located within your Market. However, it is the nature of the Locals Love Us Business concept that you and other Locals Love Us franchisees may have survey winners that are located outside of your Market. We will generally permit franchisees to market services to survey winners located outside of the Market, provided that the marketing of services does not conflict with another Locals Love Us Business. Because we have just recently started to franchise the Locals Love Us concept, we do not anticipate any Market conflicts for many years. However, if in the future Locals Love Us Businesses are situated in close

enough proximity for winners from one Business's promotional campaign to be located in the Market of a different Locals Love Us Business, we will have the right to resolve such conflicts through the development and enforcement of a Cross-Market Policy that we determine in our discretion.

Although we do not yet have such a program, we reserve the right to establish and develop a national accounts program designed to address the needs of national or regional customers. National accounts program customers are those belonging to the same or affiliated organizations or consisting of the same brand (as determined by us), which are identified as winning businesses in a minimum of 3 Locals Love Us Markets. We reserve the right to manage the advertising and promotional services provided to national accounts customers. You must participate and assist in servicing such accounts as we require. We reserve the right to establish the compensation you and such other participants will receive for any services provided, and to receive compensation for the services provided by us in connection with the national accounts program. We may terminate or modify the national accounts program at any time upon written notice to you.

Except as described in this Item 12, we will not operate or grant franchises for a business physically located within your Market (or that directly markets or solicits business in your Market), and that offers the same services that you do under any of our trademarks. However, we or our affiliates or other Locals Love Us franchisee may sell services to business located within your Market under any future Cross-Market Policy.

You are expected to reside within the Market. If you wish to operate the Business outside of your home, the Business premises must also be located within the Market. You may not relocate the Business without our prior written approval. Any relocation must be within the Market, and must meet our then-current standards for site approval.

If you desire to modify your Market in which you operate your Business, you must obtain our prior written consent (a "Market Modification"). We will not approve a Market Modification unless you are in full compliance with the Franchise Agreement, you have no uncured defaults, and all your debts and financial obligations to us are current. You may only conduct one Market Modification during the Franchise Agreement's term.

Presently, we do not operate or franchise the operation of any business which provides products or services under different trade names or trademarks similar to or competitive with those to be offered by you. However, the Franchise Agreement contains no limitations other than as stated above on our right to establish other franchises or to offer products and services in other channels of distribution. Specifically, we and our affiliates reserve the right, without compensation to you, to:

1. Use and license others to use the Marks and System at any location other than in the Market;
2. Use, and license others to use, other proprietary marks or methods which are not the same as or confusingly similar to the Marks, at any location (including within the Market) which may be the same as, similar to or different from the services offered by Locals Love Us Businesses;
3. Sell any products or services anywhere, whether or not using the Marks, through various channels of distribution (including Internet, wholesale, mail order and retail channels). The Internet is a channel of distribution reserved exclusively to us, and you may not independently market on the Internet or conduct e-commerce except as we approve;

4. Develop or own other franchise systems for the same or similar products and services using different Marks than those licensed to you;

5. Purchase or be purchased by, or merge or combine with, competing businesses wherever located; and

6. Offer franchises in the future on terms we deem appropriate, including terms that differ from those in our current Franchise Agreement.

ITEM 13 TRADEMARKS

We grant you the right to operate a business under the name “Locals Love Us” and other marks as we may designate from time to time (“Marks”). You may also use such other current or future Marks which we designate to operate your Business.

Our affiliate, FiveFour owns the following service mark registrations with the United States Patent and Trademark Office (“USPTO”).

Principal Trademarks	U.S. Registration No.	Registration Date	Principal/Supplemental Register
Locals Love Us; standard character mark	4180676	December 6, 2011	Principal
LocalsLoveUs.com; standard character mark	4180677	July 24, 2012	Principal
	4169215	July 3, 2013	Principal

Our right to use and license others to use the Marks is exercised under a trademark license agreement (the “TM Agreement”) with FiveFour dated March 5, 2024. Under the TM Agreement, we are granted the right to use and to permit others to use the Marks. The TM Agreement has a perpetual term. If we were ever to lose our rights to the Marks, FiveFour is required under the TM Agreement to allow our franchisees to maintain their rights to use the Marks in accordance with their franchise agreements. Other than the TM Agreement, there are no agreements in effect which significantly limit our rights to use or license the Marks in any state in a manner material to Locals Love Us franchises.

No registration has been up for renewal. We and FiveFour have filed or intend to file all required affidavits. FiveFour and us also claim common law rights in the Marks. You must follow our rules when you use any of our Marks. You may not use the Marks as part of a business entity name or domain name or with modifying words, designs or symbols except for those which we license to you. You may not use any of the Marks or any variations of them in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. You may not use the Marks on your employment applications, employee evaluation forms, benefits statements, payroll checks or other documents or materials relating to your employees.

There are no currently effective determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of any state or any court. There is no pending infringement, opposition or cancellation, or material litigation involving the Marks.

We are not obligated to protect your right to use the Marks, to protect you from claims of infringement or unfair competition, or to take affirmative action when notified of uses or claims. You must immediately notify us of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights to any Mark. We have the sole right to decide to take any action we deem appropriate and will have the right to control exclusively any litigation or USPTO proceeding arising out of any infringement, challenge or claim, or otherwise relating to any Mark. You must cooperate with us in connection with any litigation or USPTO proceeding. If it becomes advisable at any time in our sole determination to modify or discontinue the use of any name or Mark and/or use one or more additional or substitute names or Marks, you are responsible for the costs (including replacing signs and materials) associated with the change.

Under the Franchise Agreement, you agree not to contest, directly or indirectly, the ownership, title, right or interest in the name or Marks or contest our right to register, use or license others to use the names and Marks.

We do not know of any infringing uses that could materially affect the use of the Marks in any state.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not claim rights in any patents that are material to our business. We have no pending patent applications. We claim proprietary rights and copyright protection to all confidential information, all information contained in the Manual and all information contained on our Website. We also claim copyright protection on our operational materials and on other proprietary materials specifically created by us or by others for use in the System, including the advertisements, printed materials and forms used in the operation of a Locals Love Us Business. The Manual and other proprietary materials have not been registered with any copyright office. You must promptly inform us if you learn about unauthorized use of the confidential information. We are not obligated to take any action but will respond to this information as we deem appropriate.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You or your Principal Operator are responsible for overseeing the operation of the Business and will be the person with whom we may conduct all communications. You must comply with all of our quality standards including hours of operation for the Business. You or your Principal Operator must have attended and successfully completed the initial training program. Although it is recommended that any Principal Operator have an equity interest in the Business, we do not require any specific amount of equity interest.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The Franchise Agreement provides that you must offer, and may only offer, the products and services that we authorize in the Manual, as they may be updated or otherwise changed in writing. There

are no contractual limits on our right to change the types of authorized goods and services. You are prohibited from offering or selling products and services not authorized by us. We reserve the right to change the types of authorized services and products, including adding new services and products that you must offer in your Market. There are currently no limitations imposed by us on the persons to whom you may provide products and services, except that you may not solicit customers outside of your Market, or provide products and services to customers outside of your Market without our prior written approval.

As a benefit to you, our affiliate, FiveFour, will provide you full access to its suite of consulting and training products. We will also allow you to refer your clients to FiveFour to allow them to access certain products and services provided by FiveFour. You are not required to refer clients for such services, but if you do, and if the client contracts with FiveFour for such products or services, you and we will receive a commission for such sale. In such instances, FiveFour will provide the products and services to the referral clients.

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 Agreement	Summary
a.	Length of the franchise term	Section 3.A	The term is 5 years
b.	Renewal or extension of the term	Section 3.B	You may qualify to renew the franchise for 3 separate renewal terms of 5 years each (under the then-current version of franchise agreement)
c.	Requirements for you to renew or extend	Section 3.B	You may sign a new FA if: (1) you provide notice, (2) you are not in breach, (3) you upgrade your Business, (4) you pay a \$2,000 renewal fee, and (5) you sign a release (except as provided on Exhibit E). If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new franchise agreement that contains terms and conditions materially different from these in your previous franchise agreement, such as different fee requirements and territorial rights.
d.	Termination by you	Section 14	If we violate any material obligation and fail to cure within 60 days of notice
e.	Termination by us without cause	None	Not applicable
f.	Termination by us with cause	Section 13	We can only terminate you if you default.

THE FRANCHISE RELATIONSHIP			
Provision		Section in Agreement	Summary
g.	“Cause” defined – curable defaults	Section 13.B	You have 30 days to cure: non-payment of fees, non-submission of reports and any other default note listed in Section 13.B
h.	“Cause” defined – non-curable defaults	Section 13.A	Non-curable defaults: abandonment, insolvency, conviction of a crime, repeated defaults even if cured, trademark misuse, unapproved transfer, maintaining false books and endangering well-being of a customer.
i.	Your obligations on termination/non-renewal	Section 15	Obligations include cessation of operations, noncompetition, adherence to covenants, payment of amounts due and return of all Operations Manuals, proprietary materials, confidential information and customer data. (Also see r., below.)
j.	Assignment of contract by us	Section 11.A	No restriction on our right to assign.
k.	“Transfer” by you - defined	Section 1.L	Includes transfer of contract or assets or ownership change. “Transfer” does not include a Market Modification.
l.	Our approval of transfer by you	Section 11.B	We have the right to approve all transfers but will not unreasonably withhold approval.
		Section 4 of Owner Agreement	We have right to approve transfers of ownership interests in the franchisee entity.
m.	Conditions for our approval of transfer	Section 11.B	New franchisee qualifies and signs current agreement, transfer fee paid, training arranged and you sign release (exceptions provided in Exhibit E).
n.	Our right of first refusal to acquire your business	Section 12	We can match any bona fide offer for your Business.
o.	Our option to purchase your business	Section 15.B	We reserve the right to purchase all assets upon termination.
p.	Your death or disability	Section 11.D	We must approve transfer or estate must transfer business to designee within 6 months.
q.	Non-competition covenants during the term of the franchise	Section 10.B	No involvement in competing business anywhere.
		Section 2.A of Owner Agreement	No involvement in competing business anywhere.

THE FRANCHISE RELATIONSHIP			
Provision		Section in Agreement	Summary
r.	Non-competition covenants after the franchise is terminated or expires	Section 10.C	No competing business for 2 years within the former Market or within 10-mile radius of market or any other Locals Love Us Market
		Section 2.B of Owner Agreement.	Same
s.	Modification of the agreement	Section 17.L	Modification only upon written agreement of the parties
t.	Integration/ merger clause	Section 18.E	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises outside the Disclosure Document and Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 17 Section 5.B of Owner Agreement	Except for certain claims, all disputes are mediated, subject to state law. If necessary, any remaining claims are arbitrated in Sioux Falls, South Dakota.
v.	Choice of forum	Section 17.C	Arbitration must be in Sioux Falls, South Dakota, except as stated in Exhibit E.
w.	Choice of law	Section 17.A	Law of where Business is located and Lanham Act, subject to state law.

ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote the franchised business.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our Director of Operations at 412 South First Avenue, Sioux Falls, SD 57104, telephone (605) 951-9123, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2021	9	11	+2
	2022	11	10	-1
	2023	10	10	0
Company-Owned	2021	2	1	-1
	2022	1	2	+1
	2023	2	2	0
Total Outlets	2021	11	12	+1
	2022	12	12	0
	2023	12	12	0

Table No. 2
Transfers of Outlets From Franchisees to New Owners
(Other than the Franchisor)
For Years 2021 to 2023

State	Year	Number of Transfers
Louisiana	2021	0
	2022	0
	2023	1
Total	2021	0
	2022	0
	2023	1

Table No. 3
Status of Franchised
Outlets For Years 2021 to 2023

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
Iowa ⁽¹⁾	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Louisiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Nebraska ⁽²⁾	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	1	0	0
	2023	0	0	0	0	0	0	0
North Dakota	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
South Dakota ⁽³⁾	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Total	2021	9	2	0	0	0	0	11
	2022	11	0	0	0	1	0	10
	2023	10	0	0	0	0	0	10

(1) The Iowa Business also includes territory in Illinois.

(2) The North Dakota Business was purchased from the franchisor.

(3) The South Dakota Business operates under the trademark “The Local Best.”

Table No. 4
Status of Company-Owned
Outlets For Years 2021 to 2023

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
Louisiana	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Nebraska	2021	0	0	0	0	0	0
	2022	0	0	1	0	0	1
	2023	1	0	0	0	0	1
North Dakota	2021	1	0	0	0	1	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Total	2021	2	0	0	0	1	1
	2022	1	0	1	0	0	2
	2023	2	0	0	0	0	2

Table No. 5
Projected Openings
As of December 31, 2024

State	Franchised Agreements Signed But Not Opened	Projected New Franchised Outlets in the next Fiscal Year	Projected New Company-Owned Outlets in Next Fiscal Year
Florida	0	1	0
Nebraska	0	1	0
South Carolina	0	1	0
South Dakota	0	1	0
Totals	0	4	0

Attached as **Exhibit G** is a list of our franchisees and a list of the franchisees (if any) who 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 has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Locals Love Us franchise system. You may wish to speak with current and former franchisees, but be aware that not all franchisees will be able to communicate with you.

We have not entered into any confidentiality clauses with franchisees as of the date of this disclosure document.

There is no franchise advisory council for our franchise system and we are not aware of any independent franchisee association.

ITEM 21

FINANCIAL STATEMENTS

Attached as **Exhibit A** are our audited financial statements as of December 31, 2023. Our fiscal year end is December 31. Because we began franchising in 2024 and we have not been in business for three years or more, we cannot include all the financial statements required by the FTC Rule.

ITEM 22

CONTRACTS

Copies of the Franchise Agreement (with Exhibits) and the State Specific Addenda are attached to this Disclosure Document as **Exhibits B and E**, respectively. The following agreements are attachments to the Franchise Agreement: Owner Agreement, Authorization for Direct Debit, Telephone Authorization and Assignment Agreement.

These agreements and their attachments are the only contracts proposed for use in the offering of Locals Love Us Businesses.

ITEM 23
RECEIPTS

Exhibit H to this Disclosure Document contains 2 receipt pages by which you acknowledge your receipt of this Disclosure Document. One of the copies is for your records, and one must be signed, dated and returned to us at least 14 calendar days before you sign the Franchise Agreement or pay any fee to us.

EXHIBIT A
FINANCIAL STATEMENTS

LOCALS OPERATING COMPANY, LLC

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2023

LOCALS OPERATING COMPANY, LLC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Locals Operating Company, LLC
Sioux Falls, South Dakota

Opinion

We have audited the accompanying financial statements of Locals Operating Company, LLC (a South Dakota limited liability company), which comprise the balance sheet as of December 31, 2023, and the related statement of income and members' equity, and cash flow for the short year 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 Locals Operating Company, LLC as of December 31, 2023, and the results of its operations and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Locals Operating Company, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Locals Operating Company, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 Locals Operating Company, 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 Locals Operating Company, 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.

Paceline Accounting Group, LLP

Sioux Falls, South Dakota
March 4, 2024

LOCALS OPERATING COMPANY, LLC

BALANCE SHEET

DECEMBER 31, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	41,848
Accounts receivable		<u>22,668</u>
Total current assets		64,516
 Total assets	\$	<u><u>64,516</u></u>

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$	3,219
Accrued expenses		<u>3,685</u>
Total current liabilities		6,904
 Total liabilities		6,904

MEMBERS' EQUITY

	<u>57,612</u>
\$	<u><u>64,516</u></u>

LOCALS OPERATING COMPANY, LLC
STATEMENT OF INCOME AND MEMBERS' EQUITY
FOR THE SHORT YEAR ENDED DECEMBER 31, 2023

REVENUE

Royalties	\$ 100,831
Service fees	34,046
Graphic design fees	29,948
System administration fees	422
Technology fees	400
	<u>165,647</u>

EXPENSES

Salaries and wages	55,697
Legal and professional fees	26,276
Computer and software expenses	5,773
Contract labor	5,742
Payroll taxes	5,044
Office expense	3,408
Employee benefit programs	2,477
Advertising	1,337
Rent expense	1,000
Telephone and internet	742
Bank service charges	649
Professional development	197
Utilities	162
	<u>108,504</u>

Net operating income	57,143
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OTHER INCOME (EXPENSE)

Other income	656
Interest expense	<u>(187)</u>
	469

Net income	<u>\$ 57,612</u>
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MEMBERS' EQUITY, beginning of year

\$ -

Net income	<u>57,612</u>
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MEMBERS' EQUITY, end of year

\$ 57,612

LOCALS OPERATING COMPANY, LLC

STATEMENT OF CASH FLOWS

FOR THE SHORT YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$	57,612
Changes in operating assets and liabilities		
Accounts receivable		(22,668)
Accounts payable		3,219
Accrued expenses		<u>3,685</u>
Net cash provided by operating activities		41,848
Change in cash		41,848

CASH AND CASH EQUIVALENTS, Beginning of year

-

CASH AND CASH EQUIVALENTS, End of year

\$ 41,848

LOCALS OPERATING COMPANY, LLC

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Nature of Business

Locals Operating Company, LLC (the "Company"), a wholly owned subsidiary of FiveFour, LLC (the "Parent"), grants franchises for the operation of the Locals Love Us business concept and operates the related franchise system.

The Locals Love Us business concept is a community-centered marketing program that conducts website-based consumer surveys, uses the results to rank local businesses, and sells advertising and promotional services to the highest rated businesses. The Company has licensed the perpetual right to use the name "Locals Love Us" and related marks, and to sublicense the use of the marks from Locals Operating Company, LLC under a trademark license agreement.

The Company took over operations from Local's Love Us, LLC starting August 17, 2023. The statement of income and members' equity is for the short-year August 17 through December 31, 2023.

b. Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

c. Use of Estimates

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

d. Cash and Cash Equivalents

For the purpose of reporting cash flows, the Company considers all highly liquid instruments with a maturity of three months or less to be cash.

The Company maintains its cash in a single bank account which may exceed federally insured limits. The Company has not experienced any losses in such account and believes it is not exposed to any significant risk related to the cash account.

e. Receivables and Allowance for Credit Losses

Receivables are carried at original invoice amount less an estimate made for credit losses based on a review of all outstanding amounts on a periodic basis. Management does not have a policy to charge interest on outstanding franchise fees. Management considers the probability of collection of accounts receivable based on past experience, taking into account specific circumstances of franchisees as well as general economic factors, when determining whether an allowance for credit losses is necessary. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Management has determined that no allowance for credit losses is required as of December 31, 2023.

LOCALS OPERATING COMPANY, LLC

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Revenue Recognition

Revenue from sales of individual franchises is recognized when substantially all significant services to be provided to the franchisee have been performed. A non-refundable lump sum initial franchise fee is charged and recognized as revenue upon the execution of the franchise agreement. Continuing non-refundable royalties, technology fees, and graphic design and content review fees are paid by the franchisees and recognized when the services have been rendered.

g. Leases

The Company determines whether an arrangement is a lease at inception. The Company has a short-term operating lease.

The Company defines a short-term lease as any lease arrangement with a lease term of 12 months or less that does not include an option to purchase the underlying asset. The Company has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and obligation for these leases. Short-term lease payments are recognized as an expense on a straight-line basis over the lease term and variable lease payments in the period in which the obligation is incurred.

h. Income Taxes

Locals Operating Company, LLC is organized as a limited liability company under South Dakota state law. The Company files a consolidated tax return with its Parent. Accordingly, no provisions for federal income taxes have been presented in the financial statements as such taxes are paid by the members of the Parent.

i. Advertising and Marketing

The Company expenses advertising costs as they are incurred. Advertising expense as of December 31, 2023 totaled \$1,337.

j. Presentation of Sales Tax

The Company performs work in states and municipalities which impose a sales tax on certain sales. The Company collects those taxes from its customers and remits the entire amount to the various governmental units. The Company's accounting policy is to exclude the tax collected and remitted from revenues and operating expenses.

k. Fair Value of Financial Instruments

The Company calculates the fair value of its assets and liabilities, which qualify as financial instruments, and includes this additional information in the notes to financial statements when the fair value is different than the carrying value of these financial instruments. The estimated fair value of accounts receivable, accounts payable, and accrued expenses approximate their carrying amounts due to the relatively short maturity of these instruments. None of these instruments are held for trading purposes.

l. Date of Management Review

Management has evaluated subsequent events through March 4, 2024, which is the date the financial statements were available to be issued.

LOCALS OPERATING COMPANY, LLC

NOTES TO FINANCIAL STATEMENTS

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Accounting Standards Adopted

As of August 17, 2023 the Company adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The adoption of this standard did not have a material impact on the Company's financial statements but did change how the allowance for credit losses is determined.

3. RELATED PARTY TRANSACTIONS

The Company received subcontracted professional development services from a company affiliated with key members. During the year ended December 31, 2023, amounts billed by the related parties totaled \$14,446.

4. FINANCING ARRANGEMENTS

The Company has a bank line of credit available, expiring December 2024. The stated amount available is \$100,000, with interest payable at prime plus 9.5% interest at December 31, 2023. There was no outstanding balance as of December 31, 2023.

Interest expense was \$187 during 2023.

5. LEASES

The Company leased office space located in Sioux Falls, South Dakota under an operating lease agreement. The lease was terminated in October 2023. The Company has elected the short-term lease exemption. Lease expense is recognized on a straight-line basis over the lease term and is included in operating expenses in the accompanying statements of income and members' equity.

Total lease costs for the year ended December 31, 2023 were as follows:

Short-term lease costs	\$ 1,000
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EXHIBIT B
FRANCHISE AGREEMENT WITH EXHIBITS
AND SCHEDULES

LOCALS OPERATING COMPANY, LLC
FRANCHISE AGREEMENT

Franchisee: _____
Date: _____
Market: _____

LOCALS OPERATING COMPANY, LLC
FRANCHISE AGREEMENT
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6.	ACKNOWLEDGEMENT ADDENDUM

**LOCALS OPERATING COMPANY, LLC
FRANCHISE AGREEMENT**

This **FRANCHISE AGREEMENT** (this “**Agreement**”) is made this ____ day of _____, 20____, by and between Locals Operating Company, LLC, a South Dakota limited liability company, located at 412 South First Avenue, Sioux Falls, SD 57104 (“**we**” or “**us**”), and _____, a _____ located at _____ (“**you**”).

BACKGROUND:

A. We have developed a unique system for establishing and operating community-centered businesses that conduct confidential, online consumer surveys and offer and sell advertising and promotional services to the highly-rated local businesses, all under the Mark “Locals Love Us;”

B. We grant franchises for the operation of Locals Love Us® businesses to qualified candidates who are willing to adhere to our quality standards and operating procedures;

C. You desire to operate a Locals Love Us business in compliance with our quality standards and operating procedures;

D. You acknowledge the benefits to be derived from being identified with the Locals Love Us System, and also recognize the value of the Marks and the uniformity of image to you, us and our other franchisees; and

E. You recognize that in order to enhance the value of the System and goodwill associated with it, this Agreement places detailed obligations on you, including strict adherence to our present and future requirements regarding the types of products sold, services offered, advertising used, operational techniques, marketing and sales strategies and related matters.

In consideration of the mutual promises in this Agreement, the parties agree as follows:

1. DEFINITIONS

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

A. “**Agreement**” means this Agreement and all instruments amending this Agreement.

B. “**Business**” means the business operations conducted or to be conducted by you consisting of providing local business advertising, marketing and promotional services using our System and in association with the Marks.

C. “**Confidential Information**” means all knowledge, know-how, standards, methods and procedures related to the establishment and operation of a Locals Love Us business and includes our proprietary operating methods and all records pertaining to Customer Data, suppliers,

and other service providers of, or related in any way to, the Business including, without limitation, all databases (whether in print, electronic or other form), all names, addresses, phone numbers, email addresses, manuals, promotional and marketing materials, marketing strategies and any other data which we designate as confidential.

D. **“Customer Data”** means information pertaining to all former, current and prospective customers and customer referral sources of the Business, including without limitation all information stored on the CRM Software (defined in Section 6(H) below), as well as all other data, information and materials you or we collect or receive from, or which relate to, these individuals.

E. **“Effective Date”** means the date designated in the first paragraph of this Agreement; provided, however, that this Agreement will not become effective until the Agreement and all Schedules are signed by us.

F. **“Gross Revenues”** means the gross amount, whether in money or other form of consideration, earned or received by you from any source in connection with the operation of the Business or with any similar or related activity, whether on or off your business premises, arising directly or indirectly from whatever source. “Gross Revenues” shall exclude only: (i) the amount of any tax imposed by any governmental authority directly on sales and collected from customers, provided that the amount of any such tax is shown separately and is in fact paid by you to the appropriate governmental authority; and (ii) the amount of any customer refunds which are paid to the customer. Gross Revenues shall be deemed received by you at the time the services or products from which they were derived are delivered or rendered or at the time the relevant sale takes place, whichever occurs first, regardless of whether final payment (e.g., collection on a customer’s personal check) actually has been received by you.

G. **“Internet”** means any of one or more local or global interactive communications media, that is now available, or that may become available, and includes websites and domain names. Unless the context otherwise indicates, Internet includes methods of accessing limited access electronic networks, such as Intranets, Extranets, and WANs.

H. **“Manual”** means our confidential: (i) manual or manuals, and (ii) any Intranet or password protected portion of an Internet site, and (iii) any amendments, supplements, bulletins, derivative works, and replacements, whether embodied in electronic or other media.

I. **“Marks”** means the service mark “Locals Love Us” together with such other trade names, trademarks, symbols, logos, distinctive names, service marks, logos, designs or insignia which may be designated by us from time to time as part of the System for use by our franchisees, and not thereafter withdrawn.

J. **“Principal Operator”** means the individual who will devote full time and best efforts to the development and operation of the Business if you are an entity. All communication with you shall be through the Principal Operator.

K. **“System”** means, collectively, our valuable know-how, information, trade secrets, methods, Manual, standards, designs, usage of the Marks, copyrightable works, products and

service sources and specifications, proprietary software, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of the Business, as modified by us at any time. All such modifications and improvements become our property.

L. **“Transfer”** means to voluntarily or involuntarily transfer, assign, sell, or encumber any interest in or ownership or control of, the Business, substantial assets of the Business, of this Agreement or any interest in the legal entity which owns the Business.

2. **GRANT OF FRANCHISE**

A. **Grant.** Subject to all the terms and conditions of this Agreement, we grant to you, and you accept, for the term of this Agreement the right and non-exclusive license to: (i) operate a Locals Love Us business in the following area of primary responsibility: _____ (the **“Market”**); (ii) use the Marks and the System; and (iii) offer and market only services and products which have been approved by us. You accept such license and undertake to diligently operate the Business according to the terms of this Agreement for the term of this Agreement.

B. **Territorial Rights.** Except as otherwise provided in this Agreement, we will not during the term of this Agreement operate or franchise others to operate a Locals Love Us business under the Locals Love Us name within your Market. Provided that you are in compliance with this Agreement and meet the applicable Minimum Performance Requirements (further described in Section 6A below), we will not operate or franchise others to operate a Locals Love Us business under the Locals Love Us name within the Market. We reserve the right to resolve any cross-Market conflicts between Businesses located in proximity to one another, in a manner that we deem equitable. In consideration of the territorial protection described above, you agree to locate and operate your Business within the Market and to use your best efforts to promote the Business within the Market. You may not conduct or direct marketing outside of your Market, without our prior written consent which can be revoked at any time.

C. **Reservation of Rights.** Except for the rights specifically granted to you, we reserve all other rights, including the following rights:

i. We may use, and license others to use, the Marks and System for the operation of Locals Love Us businesses anywhere outside of the Market. Except as otherwise specifically provided in this Agreement, this Agreement shall not restrict us, or grant any rights to you, with respect to the pursuit of any business concept other than the Locals Love Us concept;

ii. We, our affiliates and/or other Locals Love Us franchisees and licensees may offer and sell services inside of the Market, in accordance with our Cross-Territory Policy, which we may modify from time to time in our discretion;

iii. We may sell any products or services anywhere, whether or not using the Marks, through alternative channels of distribution (including wholesale, mail order and retail channels);

iv. We may use and license the use of other proprietary marks which are not the same as or confusingly similar to the Marks, at any location, including within the Market, for services which may be the same as, similar to or different from the services offered by Locals Love Us businesses;

v. We may develop or own other franchise systems for the same or similar products and services using different Marks than those licensed to you;

vi. We may purchase or be purchased by, or merge or combine with, competing businesses wherever located; and

vii. We may offer franchises in the future on terms we deem appropriate, including terms that differ from this Agreement.

D. Modifications. You recognize that variations and additions to the System may be required from time to time in order to preserve or enhance the System. Therefore, we expressly reserve the right to add to, subtract from, revise, modify or change from time to time the System or any part thereof, and you agree to promptly accept and comply with any such addition, subtraction, revision, modification or change and to make such reasonable expenditures as may be necessary to comply.

3. TERM OF THE AGREEMENT; RENEWAL

A. Term. The initial term of this Agreement shall continue for a period of five years (the “Term”). The Term shall begin on the Effective Date, subject, however, to termination according to the provisions of this Agreement.

B. Option to Execute New Franchise Agreement. Upon the expiration of the initial term of this Agreement, you shall have the option to renew the franchise for three separate renewal terms of five years each (under the then-current version of Franchise Agreement) provided that the following terms and conditions are met:

i. Such right may only be exercised by you by written notice to us given not more than six months nor less than three months before the expiration of the Term of this Agreement.

ii. There is no outstanding breach by you of the terms and conditions of this Agreement.

iii. You have substantially observed and performed the terms and conditions of this Agreement throughout the Term.

iv. You, at your expense, bring the Business up to the then-current standards for a Locals Love Us business and comply with any applicable required upgrades to your Business, including, but not limited, upgrades to or replacement of your vehicles, signage, computer systems, hardware, and software. There is no limitation on the amount we may require you to spend on upgrades to your Business.

v. You agree to complete any additional training we may require;

vi. You sign our then-standard form of Franchise Agreement which you acknowledge may differ materially from this Agreement; provided, however, that our then-standard Franchise Agreement will be modified such that:

(1) You will not be required to pay any Initial Franchise Fee, but you will instead pay a renewal fee of \$2,000;

(2) We will not be required to provide any of the initial training or other services contained in such Agreement which we provide to a new franchisee; and

(3) The term of the new Franchise Agreement shall be seven years.

vii. You will sign a general release in a form we prescribe, to the fullest extent permitted by law, to release us and our officers and employees from any claims you may have against us.

viii. If, after the service of the notice referred to in Section 3.B(i) and prior to the signing of the new Franchise Agreement, you fail to comply with the provisions of Section 3.B(iv) or commit a breach of this Agreement which could result in its termination, your right to renew the franchise shall, at our option, cease and be of no effect.

4. FEES AND OTHER PAYMENTS

A. **Initial Franchise Fee.** You must pay us the sum of \$29,500 as an Initial Franchise Fee (“**Initial Franchise Fee**”) upon the execution of this Agreement. The Initial Franchise Fee shall be deemed to have been fully earned by us when paid and is non-refundable.

B. **Royalties.** You must pay us continuing non-refundable royalties equal to 9% of Gross Revenues which will be reported and paid to us as provided in Section 4(K) below.

C. **Technology Fee.** You are required to use our designated proprietary software, currently LoLu – Your Personal Digital Assistant™, in the operation of your Business (further described in Section 6(G) below). You will pay us an initial set-up fee of \$4,500 to complete the installation of the software on your information system. You must also pay us a continuing non-refundable fee to maintain access to the software (“**Technology Fee**”). Currently, the Technology Fee is \$100 per month, which will be paid to us in the manner provided in Section 4(K) below, commencing after you have begun your first promotional campaign and prorated for the first partial month, if applicable. We reserve the right to increase the amount of the Technology Fee upon 30 days’ written notice to you.

D. Graphic Design and Content Review Fees; Late Fees. You are required to use the services of our graphic design center as described in Section 6(F) below. Currently, graphic design services are provided by our graphic design team at a rate of \$46.00 per hour (“**Graphic Design Fee**”) and Content Review is provided at a rate of \$46.00 per hour (“**Content Review Fee**”). The Graphic Design Fee and Content Review Fee are subject to annual adjustment by us, based upon changes in CPI.

If you do not comply with the submission deadlines and required lead times that we establish (and which we may modify), we have the right to charge you: (i) a late fee of \$100 per occurrence; and (ii) higher hourly rates for Graphic Design and Content Review services that we provide. Payment of late fees and increased hourly rates for Graphic Design and Content Review does not guarantee that you will receive approvals or completed work from us or our hired designers within the times you request. All rates are subject to annual adjustment by us, based upon changes in the Consumer Price Index (“**CPI**”).

E. Opening Launch Marketing. You acknowledge that initial marketing, public relations and promotional activities are required to advise the public that your Locals Love Us Business is open for business. You agree to conduct initial public relations and promotional activities according to our specifications. Your minimum opening launch marketing and promotional expenditure is \$20,000 and you must spend these amounts within 6 months after you have successfully completed the initial training program and we have notified you that you may begin your Business’s first promotional campaign. If you fail to make any portion of the required opening lunch marketing expenditures, we have the right to require you to contribute the amount of any deficiency to our System Marketing Fund to be used by us for general advertising and promotion.

F. System Marketing Fund. You will pay a System Marketing Contribution to be deposited in the System Marketing Fund equal to 1% of Gross Revenues. We have the right to increase the amount of required System Marketing Contribution without your consent to up to a maximum of 3% of Gross Revenues, but we may only do so if 60% or more of the individual Locals Love Us businesses (whether franchised or owned by us or our affiliates) operating under the System at the time we seek to implement the increase vote to approve the increase.

These contributions are not refundable. Your required payments to the System Marketing Fund will be made at the same time and in the same manner as the Royalties. Such payment shall be made in addition to and exclusive of any sums that you may be required to spend on local advertising and promotion. The System Marketing Fund shall be maintained and administered by us or our designee, as follows:

- i. We will oversee all System Marketing Fund programs and have sole control over creative concepts, materials and media used in such programs including placement and allocation. We will use the System Marketing Fund to develop marketing initiatives and to otherwise promote the Locals Love Us brand. We cannot and do not ensure that any particular franchisee will benefit directly or pro rata from the advertising.

ii. For each of our company-owned or affiliate-owned Locals Love Us businesses, we will make contributions to the System Marketing Fund on the same basis as franchised businesses.

iii. We will administer and control the System Marketing Fund and we will have the absolute and unilateral right to determine how, when and where the monies in the System Marketing Fund will be spent. This includes (but is not limited to) the right to use System Marketing Fund monies for (a) broadcast, print advertising, (b) the creation, development and production of advertising and promotional materials, including, but not limited to, ad slicks, radio, film and television commercials, videotapes, direct mail pieces, and other print advertising; (c) search engine optimization or other forms of Internet-based promotion; (d) any marketing or related research and development; (e) promotional materials provided to franchised businesses; and (f) advertising and marketing expenses, including payment for research and development, services provided by advertising agencies, public relations firms or other marketing, research or consulting firms or agencies, customer incentive programs, sponsorships, marketing meetings and sales incentives, development and enhancement of Web pages, Internet access provider costs, and administrative costs. All sums paid by you to the System Marketing Fund will be maintained in a separate account from our general funds and shall not be used to defray any of our general operating expenses, except for actual time spent designing and adapting the creation of advertising and promotional materials for the franchisees and such reasonable administrative costs and overhead, if any, as we may incur in activities reasonably related to the administration or direction of the System Marketing Fund and advertising programs including, without limitation, costs incurred in collecting and accounting for assessments for the System Marketing Fund and salaries for marketing support personnel.

iv. There is no requirement that contributions to the System Marketing Fund be expended during the fiscal year within which contributions are made. Any monies not expended in the fiscal year in which they were contributed will be applied and used for System Marketing Fund expenses in the following year.

v. Although we intend the System Marketing Fund to be of perpetual duration, we have the right to terminate the System Marketing Fund. We will not terminate the System Marketing Fund, however, until all monies in the System Marketing Fund have been expended for advertising and promotional purposes.

vi. An unaudited accounting of System Marketing Fund contributions and expenditures will be prepared annually and a certificate confirming the amount spent will be made available to you upon request. At our option, any such annual accounting may include an audit of the contributions and expenditures of the System Marketing Fund prepared by an independent certified public accountant selected by us and prepared at the expense of the System Marketing Fund.

G. Local Marketing Expenditures. In addition to your System Marketing Fund Contribution, you are required to spend a minimum amount of \$20,000 yearly on approved local

marketing. For your first year of operation, the \$20,000 minimum you spend on opening launch marketing will count towards your required local marketing expenditure.

Before using any promotional and advertising materials not provided by us, you will submit to us all information pertaining to promotional materials and advertising initiated by you for our prior approval in accordance with Section 7(C).

You must submit documentation of your advertising expenditures at such times and in such form as we designate. If you fail to make any required advertising expenditures, we have the right to require you to contribute the amount of any deficiency to the System Marketing Fund to be used by us for general advertising and promotion.

H. Materials. We will make available to you all advertising and promotion materials for the Business which are approved by use for franchisees and company-owned businesses.

I. Special Promotions. You must fully participate in all promotional campaigns, prize contests, special offers, and other programs, national, regional, or local in nature (including the introduction of new services or products, new franchises or other marketing programs directed or approved by us), which are prescribed from time to time by us. You shall be responsible for the costs of such participation. To the extent permitted by law, you will comply with any maximum price restrictions which we promulgate from time to time.

J. Cooperative Advertising. We may designate local or regional advertising coverage areas to develop cooperative local or regional advertising and promotional programs. You must participate in and contribute your share to the cooperative advertising and promotional programs in your advertising coverage area in addition to the contributions and expenditures required by this Agreement. Your contributions to cooperative advertising or promotional programs will be credited toward the minimum local advertising contribution. Any such cooperatives will establish the procedures for contribution payments. You may be required to belong to and contribute a maximum of 50% of your local advertising contribution to any cooperative to which you are assigned. We may designate the coverage area, method and timing of payment, and any outside agencies; and may merge or dissolve cooperatives; and must approve bylaws and all activities and advertising; of any such cooperative. All cooperatives will report to us in the manner required by, and follow all requirements of, this Agreement.

K. Manner of Payment and Reports. On the first day of each month, or such other time that we specify, you must make all payments to us for the preceding month by means of electronic funds transfer or any other method we specify. To facilitate the electronic funds transfer, you will arrange for you and your bank to execute the Authorization Agreement set forth in Schedule 2, or such other form as we may provide. On or before the tenth day of each month, or such other time that we specify, you will deliver an itemized report of your Gross Revenues and expenses for the prior month (or other period) on such form and in the manner, including electronically, that we prescribe. This report will include your certification and records of Gross Revenues for the period reported. You will provide us with all hard copies and access to electronic reports, that we prescribe, including a list of prices and services sold. You will not set off any claim for damages or money due to you from us against any payments to be paid by you to us under this Agreement.

or any related agreement between the parties. No endorsement or statement will be effective as an acknowledgment of payment in full. We will have the right to accept any payment and to recover the balance due or to pursue any other remedy available to us. You must pay a late fee of \$100 in the event any amount (Royalty, System Marketing Fund Contribution or other payment) is not paid within five days of the due date. In addition, interest at the rate of 1.5% per month (18% annually), or the maximum allowed by law, if less, will be added to any sums to be paid under this Agreement that remain unpaid after the date due.

L. Records. You shall keep such complete records of the Business as a prudent and careful businessperson would normally keep. You shall keep your financial books and records as we may from time to time direct in the Manual or otherwise, including retention of all invoices, order forms, payroll records, cash register tapes, check records, bank deposit receipts, sales tax records and returns, cash disbursements journals and general ledgers. You shall advise us of the location of all original documents and shall not destroy any records without our prior written consent. You will transit accurate records relating to the Business, including each business transaction and point-of-sale tapes and records, in the form, time and manner we prescribe (including both paper copy and electronic records accessible by us).

M. Financial Statements. You must prepare all financial reports in accordance with generally accepted accounting principles, consistently applied, and in a form approved by us. You must periodically deliver to us accounting, tax and other information (or copies of documents), as we request including a quarterly financial statement with profit and loss and balance sheet delivered to us within 28 days after each calendar quarter. You will provide us with a copy of your annual financial statements including a profit and loss statement and a balance sheet. Such annual statements will be prepared in accordance with generally accepted accounting principles, consistently applied, and be delivered to us within 90 days after your fiscal year end.

N. Other Information. You shall provide such further information relating to the Business as we deem necessary to assist us in the discharge of our duties or the enforcement of our rights under the terms of this Agreement.

O. Audit Rights. During the term of this Agreement for a period of three years after the termination or expiration of this Agreement, we and our authorized agents shall have the right to inspect and audit any of the records of your Business wherever they may be located. We agree to do inspections and audits at reasonable times. If any inspection or audit discloses a deficiency in the payment of any royalties, advertising or other amounts required to be paid or expended under this Agreement, you shall immediately pay the deficiency to us. In addition, if any inspection or audit discloses an understatement of Gross Revenues of 2% or more, you will also immediately pay to us the entire cost of the inspection or audit including travel, lodging, meals, salaries and other expenses of the inspecting or auditing personnel.

5. OUR OBLIGATIONS

A. Initial Services. Our initial services to you are as follows:

- i. We will designate your Market as provided in Section 2.

ii. We will furnish you with specifications for all equipment, inventory, supplies and other specifications required for the operation of the Business.

iii. We will provide you with an initial training program. You or your Principal Operator (if you are an entity) must attend and satisfactorily complete the initial training program prior to opening the Business. Additional individuals who will be directly involved in the Business are allowed to attend the initial training program with our prior written approval. The initial training program will be for approximately one week, and will take place at our corporate home office in Sioux Falls, South Dakota or any other location we designate. You shall be responsible for personal travel and living expenses incurred by yourself and any others in your organization who participate in the training program.

B. On-Going Services. Our on-going services to you are as follows:

i. We will loan to you a copy of the Manual which shall at all times remain our property. We will provide you with updates to the Manual containing details of any new or revised specifications, standards or operating procedures. We reserve the right to provide the Manual and updates to the Manual in electronic form or other form specified by us. We have the right to add to, and otherwise modify, the Manual from time to time to reflect changes in authorized services and products, business image or the operation of Locals Love Us businesses provided, however, no such addition or modification shall alter your fundamental status and rights under this Agreement. You agree to accept and comply with any such modifications at your own cost. You acknowledge and agree that the Manual is loaned to you and shall at all times remain our sole and exclusive property.

ii. We may hold periodic conferences or meetings to discuss marketing techniques, new developments, advertising programs, business procedures and other topics.

iii. We will formulate marketing, recruitment and promotional programs as further described in this Agreement.

iv. We will provide you periodic operational support, as we determine, through us or through a designee. Our support visits will focus on strategies for increasing revenue, improving operations, controlling expenses and maximizing profit. We will additionally provide such guidance, in our discretion, through the Manual, bulletins or other written materials, telephone conversations and/or meetings.

v. We will conduct product research and development that we deem appropriate to improve the System.

vi. In exchange for the Technology Fee, we will provide you with all applicable updates and technical support for the CRM Software, including voting and data support for your promotional campaigns. We will also provide the following information technology services: web-hosting for your website, market data storage, design-file backup, email

hosting and email addresses for all sales agents, and access to our intranet with helpful documents and tips.

6. **YOUR OBLIGATIONS**

A. **Minimum Performance Requirements.** You must, consistent with the terms of this Agreement, diligently develop the Business and use your best efforts to market and promote the offered services and products. You must strictly comply with all present and future standards, specifications, processes, procedures, requirements, and instructions issued by us regarding the operation of the Business. You must reach during each year of the Agreement a minimum level of Gross Revenues as follows:

Period	Expected Annual Gross Revenue
Year 1	\$200,000
Year 2	\$300,000
Year 3	\$375,000
Year 4	\$425,000
Year 5	\$475,000

For purposes of this calculation, Year 1 begins on the date that you launch your first promotional campaign, and each subsequent “Year” begins on the anniversary of that date.

B. **Business Premises.** You are not required to maintain a physical space for your Business and it is anticipated that the Business will be operated from your home, which must be located within your Market. You may wish to lease office space, and if you do, you are responsible for finding and selecting its location, which must be located within your Market. You may relocate your business premises within your Market only with our prior written consent, which may be withheld in our sole judgment. We may require that your premises conform to minimum basic requirements, as established in the Manual. You will be responsible for the cost of any necessary construction and leasehold improvements to your premises.

C. **Vehicle.** You must use at least one vehicle that meets our standards and specifications, including all required wraps, logos and signage. You may already own such a vehicle. If you do not own such a vehicle, it may be purchased or leased from a car dealership or an individual. We have the right to approve or disapprove the vehicle that you have or that you lease or purchase, and will consider items such as its physical and mechanical condition, and other commercially reasonable criteria.

D. **Personnel.** You will employ only adequately trained and competent personnel to provide quality service in accordance with our criteria. You or your Principal Operator must devote full time and attention to the Business as may be necessary to perform the operational, administrative, marketing, accounting and other aspects of the Business. You acknowledge and agree that we have entered into this Agreement in reliance on your qualifications. You or your Principal Operator must successfully complete our initial training program. You will control, and

be solely responsible for the day-to-day operation of all employees of the Business and be exclusively responsible for the terms and conditions and employment of your personnel, including the soliciting, hiring, firing, disciplining, paying, scheduling, and managing of your employees. All persons hired by or working for you shall not, for any purpose, be deemed our employees or subject to our control.

E. Products and Services. You will offer all services and products which we designate, and we may modify designated services and products at any time upon notice. No service or product, except those services and products designated may be offered for sale, unless you have received our prior written consent (which may be granted or denied in our sole judgment). You will ensure that no unapproved products or services are offered by your Business. You will purchase only such types, models or brands of equipment, inventory and supplies that we approve for Locals Love Us businesses as meeting our standards for quality, design, appearance, function and performance. You shall purchase all supplies, materials, other products and services used or offered for sale from us or from suppliers who have been approved by us. In some cases, there may only be one supplier for a particular item. We will provide you with a list of approved suppliers. If you desire to purchase any products from an unapproved supplier, you shall submit to us a written request for such approval, or shall request the supplier itself to do so. You shall not purchase from any supplier until and unless such supplier has been approved in writing by us. We shall have the right to require that our representatives be permitted to inspect the proposed supplier's facilities and/or work product, and that samples from the supplier be delivered to us for inspection, review and testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by you; provided, however, that flat fee of \$500 shall be paid in connection with our review, evaluation and approval of an alternative graphic designer for your Business. Notwithstanding the foregoing, you may be required to purchase from us or from a single designated source certain products that we consider integral to the System. We have the right to mark up any products sold by us to you and to receive rebates or similar payments from suppliers as a result of your purchases. We may use these funds as we deem appropriate.

F. Graphic Design Center. You must use the services of our graphic design center to develop the business advertising for your print guides and online business listings.

G. Business Guides. We have the right to place advertising that we designate on up to two full pages or 2% of the total page count (whichever is greater) of the print guides that you are required produce in connection with your Business, without compensation to you. You are required to provide us (by direct shipment from the printer at the time of production) 24 copies of each print guide that you produce. We may modify the number of guides that you are required to provide to us by designation in the Manual.

H. Approved Information System. We will designate the information system used in your Business including the required computer hardware, equipment and enhancements, and off-the-shelf software required for use in your Business (the "**Information System**").

You must acquire, maintain and upgrade computer, information processing and communication systems, accounting and inventory control in accordance with our specifications. The Information System developed for use in the Business will include one or more designated

proprietary software programs. We currently utilize a proprietary CRM software called LoLu – Your Personal Digital Assistant, to manage the transactional aspects of your Business (the “**CRM Software**”). You must enter into the software license agreement in the form attached to this Agreement as Schedule 6, in connection with your use of the CRM Software. You will pay an initial fee for installation and set-up of the CRM Software before you begin operation of the Business (described in Section 4(C) above). In addition, you will pay a Technology Fee for continued access to the CRM Software and related support (described in Section 4(C) above). We have the right to update the Information System required in the operation of the Business and you must comply with all updates. We have the right to specify how data from your Business will be stored and accessed.

In connection with the Information System, you additionally agree to the following:

i. We must have at all times direct access to the information stored by your system and we shall have the right to retrieve, analyze, download and use all software, data and files stored or used on the information system. You shall store all data and information on the Information System that we designate from time to time.

ii. You acknowledge and agree that there may be fees payable by you in connection with the installation, use, support, maintenance, and periodic enhancements of the Information System. These fees may be payable to us or a vendor designated by us and may be increased from time to time. We reserve the right to charge for additional services provided by us in connection with the Information System or proprietary software. You will be responsible for the cost of all required upgrades.

iii. You must have high speed Internet access. Further, you agree to participate in any Internet, Extranet or Intranet that we establish.

iv. You must have email capabilities and use an email address provided by us.

v. You will only use or download software which has been designated or authorized by us in writing. In the event that you use or download any unauthorized software, you will be liable for all damages and repair costs resulting directly or indirectly from the unauthorized software, in addition to the other remedies provided in this Agreement.

I. **Telephone.** You must have a separate business telephone number. Concurrently with the signing of this Agreement, you will sign a Collateral Assignment of Telephone numbers and Listings in form attached as Schedule 3.

J. **Maintenance.** The Business and everything related to the Business (including, but not limited to, your vehicles and any business premises you maintain) must be maintained in first-class condition and must be kept clean, neat and sanitary. You are responsible for ensuring that all business-related items are in good working condition at all times. All maintenance, repairs and replacements reasonably requested by us or needed in connection with the Business must be promptly made.

K. Compliance with Our Standards. You will conform to all customer service standards prescribed by us in writing. You will operate the Business through strict adherence to the standards, specifications and policies of the System as they now exist, and as they may from time to time be modified, in order to ensure compliance with the quality standards of the System. These standards, specifications and policies will cover all of the operational aspects of the Business including, but not limited to: (i) training, dress, general appearance and demeanor of your staff; (ii) advertising and promotional techniques and programs; (iii) use and retention of standard forms; (iv) identification of the Business; (v) handling of customer complaints; and (vi) any other standards, specifications or procedures designated by us.

We may, from time to time, suggest prices at which authorized services and products offered by your Business may be sold or offered for sale. Although you generally have the right to establish prices for the services and products you sell, we reserve the right to establish and enforce prices, both minimum and maximum, to the extent permitted by applicable law.

L. Additional Training or Other Services. We have the right to require you and any of your staff to attend up to five days of additional training per year, at a location designated by us. If we require you to attend additional training, we may charge you a training fee up to \$2,000 per week. We may also require you to attend an annual convention for up to three days per year. You are responsible for all travel and lodging costs required to attend such training or conventions. If we determine that it is appropriate for us to provide other additional services to you in order to keep the System competitive or to bring your Business up to our standards, we may charge you a reasonable fee for such additional services.

M. Compliance with Laws. You will, at your expense, comply with all applicable local, state, federal and municipal laws, ordinances, rules and regulations pertaining to the operation of the Business, including the obtaining of any necessary permits or licenses. You will operate the Business in a healthy and safe manner. You shall comply with all applicable laws and regulations regarding hiring and firing of employees, and you acknowledge and agree that all personnel decisions shall be made by you, without any influence or advice from us, and such decisions and actions shall not be, nor be deemed to be, a decision or action of us.

N. Payment of Liabilities. You will timely pay all of your obligations and liabilities due and payable to us and to your suppliers and lessors.

O. Taxes. You will promptly pay all federal, state and local taxes arising out of the operation of your Business. We will not be liable for these or any other taxes and you will indemnify us for any such taxes that may be assessed or levied against us which arise or result from your Business. You shall reimburse us for any sales tax, gross receipts tax, use tax or other tax or assessment imposed by any taxing authority in the state where the Business is located on any fees or other amounts payable to us under this Agreement. Such taxes are distinguishable from income taxes imposed on us by the jurisdiction in which the Business is located. Such income taxes are our responsibility.

P. Manual. You will operate your Business in accordance with the Manual, which will contain both mandatory and suggested standards that we develop for Locals Love Us businesses

and information relating to your obligations as a Locals Love Us franchisee. You will treat the Manual as confidential, and will use all reasonable efforts to maintain the Manual as secret and confidential. You shall ensure that the Manual is kept up to date at all times. As provided in Section 5(B)(i), you must comply with all updates and modifications to the standards set forth in the Manual. Any required specifications, standards, and/or operating procedures in the Manual exist to protect our interests in the System and the Marks and to create a uniform customer experience, and not for the purpose of establishing control or duty to take control over those day-to-day operational matters that are reserved to you.

Q. Inspections. Our representative shall also be allowed to inspect the condition and operation of the Business at any time during normal business hours. Any inspections or other visits to your Business by us or our representative are to protect our interest in the System and the Marks and not to control the day-to-day operation of your Business or for the supervision of your employees. In addition, we have the right to utilize third-party mystery shoppers to evaluate the operation of your Business and to contact your customers to complete customer surveys.

R. Owner Agreement. If you are a business entity, all persons having an ownership interest in you shall execute an Owner Agreement in form attached as Schedule 4 to this Agreement.

S. Collection of Information; Privacy; PCI Compliance. We may, from time to time, specify in the Manual or otherwise in writing the information that you must collect and maintain on the information system, and you must provide to us such reports as we may reasonably request from the data so collected and maintained. You must abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information (“**Privacy Laws**”). You must comply with our standards and policies pertaining to Privacy Laws. You must not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent. It is your responsibility to comply with all laws and regulations to the payment card industry data security standards (“**PCI Compliance**”). You must notify us immediately of any suspected data breach at or in connection with the Business. You are solely responsible for protecting yourself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders, and you waive any and all claims you may have against us as the direct or indirect result of such disruptions, failures, or attacks.

T. Customer Data. You must at all times maintain up-to-date Customer Data (as defined in Section 1.D) in the format we prescribe. During and after the term of this Agreement, we own the Customer Data that you and we collect and you acknowledge that you have no rights, title, or interest in any Customer Data. You may not use Customer Data for any purpose whatsoever other than in the normal conduct of the Business, and you may not sell, loan, or give Customer Data, including without limitation customer and customer referral source lists or accounts, to anyone without our prior written permission. Further, we have the right to periodically establish other policies respecting your use of the Customer Data during the term of this Agreement. Upon termination or expiration of this Agreement, you must promptly deliver to us all Customer Data in your possession, including without limitation lists (with addresses and telephone numbers) of all former, current, and prospective customers and customer referral sources, without retaining any copies of that Customer Data, including without limitation any hard or electronic copies.

U. **Market Modification.** You acknowledge and agree that you must operate the Business only in the Market, as described in Section 2 of this Agreement. Accordingly, if you desire to modify your Market in which you operate your Business, you must obtain our prior written consent to initiate such a transfer (“Market Modification”). Consent may be granted or withheld in our sole judgment and no Market Modification will be approved by us or be effective unless and until you are in full compliance with this Agreement, you have no uncured defaults, and all your debts and financial obligations to us are current. You may only conduct one Market Modification during the Term. We will not charge you a fee for a Market Modification.

7. **MARKS**

A. **Ownership.** You acknowledge and agree that we own all right, title and interest, in the Marks and the System. Any improvements relating to the Marks or System (including, but not limited to, advertising material) will also become our sole property. You will not be entitled to any payment for improvements to the Marks or System originated or developed by you. You agree not to ever dispute, contest, or challenge, directly or indirectly, the validity or enforceability of the Marks or our ownership of the Marks, nor counsel or assist anyone else to do the same, nor will you take any action that is inconsistent with our ownership of the Marks, nor will you represent that you have any right, title, or interest in the Marks other than those expressly granted by this Agreement.

B. **Use.** You acknowledge and agree that it is of utmost importance that the goodwill, stature, and image of quality associated with the Marks be maintained and enhanced by you. You will make no use of the Marks without our prior approval and you will use the Marks only in the manner prescribed by us. You further acknowledge that your right to use the Marks is derived solely from this Agreement and is limited to the conduct of business by you in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by us in the Manual or otherwise from time to time. If, in our judgment, your conduct infringes upon or demeans the goodwill, standards of uniformity or quality, or business standing associated with the Marks or System, you will immediately, upon written notice from us, modify your use of the Marks and System in the manner prescribed by us in writing. All of your written materials including stationery and invoices shall contain a notice that your Business is independently owned and operated by you.

C. **Promotion.** You will operate your Business so that it is clearly identified and advertised as a Locals Love Us business. The style, form and use of the words comprising any of the Marks in any advertising, written materials, products or supplies must, however, have our prior written approval. You will use the Marks which now or hereafter may form a part of the System, on all signs, paper supplies, business cards, advertising materials, and other articles in the identical combination and manner as we may prescribe in writing or otherwise direct. You will comply with all trademark, trade name, service mark and copyright notice marking requirements. In the event written disapproval of any such advertising and promotional material has not been given by us to you within 10 days from the date such information has been received by us, the materials will be deemed approved. You will not use the Marks or any of the words comprising any of the

Marks as part of the name of your business entity. You may not use the Marks on your employment applications, employee evaluation forms, benefits statements, payroll checks or other documents or materials relating to your employees. We have the right to use, copyright and provide to our franchisees the use of any marketing, promotional or advertising materials developed by you.

D. Internet. You must adhere to all of our guidelines and instructions in connection with the website for your Business and any activity you engage in on the Internet, including any social media activities. You may not use any domain name, address, locator, link, metatag, or search technique, with words or symbols similar to the Marks, except as specifically authorized by us in the Manual or otherwise. You will provide us content for our Internet marketing and comply with our Internet and Intranet policies as set out in the Manual. We retain the sole right to use the Marks on the Internet, including on websites, as domain names, guide addresses, metatags, and in connection with linking, advertising, co-branding, and other arrangements. We retain the right to approve any linking or other use of our website. You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent. We intend that all franchisee websites be accessed only through our home page. You will have limited ability to update content on the website for your Business, as we set forth in the Manual, and we will maintain primary control over your website. All Internet-based marketing must be coordinated through us and approved by us. Your Website must be created and maintained by us or our designated supplier. You may not use any form of social media to market or promote the Business without our prior written approval. You must comply with our social media policies as we promulgate them from time to time.

E. Substitutions. If it becomes advisable at any time, in our sole judgment, to modify or discontinue use of any Mark, or use one or more additional or substitute trade names, trademarks, service marks, or other commercial symbols, either system-wide or with respect to use by any selected franchisee, you shall comply with our directions within a reasonable time after notice to you, we shall have no liability or obligation whatsoever with respect to your modification or discontinuance of any Mark. You will not make any changes or amendments in or to the use of the Marks or System unless directed by us in writing.

F. Litigation. You will have no obligation to and will not, without our prior written consent, defend or enforce any of the Marks in any court or other proceedings for or against imitation, infringement, any claim of prior use, or for any other allegation. You will, however, immediately notify us of any claims or complaints made against you with respect to the Marks and will, at your expense, cooperate in all respects with us in any court or other proceedings involving the Marks. We will pay the cost and expense of all litigation incurred by us including attorneys' fees, specifically relating to the Marks. We will have the right to control and conduct any litigation relating to the Marks.

G. Copyrighted Materials. You acknowledge and agree that (1) we may authorize you to use certain copyrighted or copyrightable works (the "**Copyrighted Materials**"), including the Manual, advertising materials and forms; (2) the Copyrighted Materials are our valuable property; and (3) your rights to use the Copyrighted Materials are granted to you solely on the condition that you comply with the terms of this Agreement. Your use of the Copyrighted Materials does not

vest you with any interest other than the non-exclusive license to use the Copyrighted Materials granted in this Agreement.

H. **Protection.** You shall execute any documents that we or our counsel deem necessary for the protection of the Copyrighted Materials or the Marks or to maintain their validity or enforceability, or to aid us in acquiring rights in or in registering any of the Marks or any trademarks, trade names, service marks, slogans, logos or emblems that we subsequently adopt.

8. **INSURANCE**

A. **Insurance.** You shall during the term of this Agreement, purchase and maintain in full force and effect the following minimum insurance coverage:

- i. Workers' compensation insurance, employer's liability insurance and other legally required insurance in amounts as are prescribed by law;
- ii. Automobile insurance in amounts as are prescribed by law; and
- iii. Comprehensive general liability insurance coverage in such amounts and upon such terms as we designate, but not less than \$1,000,000 per occurrence, \$5,000,000 aggregate coverage, insuring both you and us against all claims, suits, obligations, liabilities, and damage, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage relating to the use or condition of the Business; and
- iv. Such additional insurance as may be required by the terms of any lease for the Business or as may be required by us from time to time.

The liability insurance afforded by the policy or policies shall not be limited in any way by reason of any insurance that may be maintained by us.

B. **Certificates.** All policies of insurance required under this Section will be underwritten by companies having an A.M. Best rating of A or higher, in good standing in the state where the Business is located, and shall be in a form reasonably satisfactory to us. All general and professional liability policies shall name us as an additional insured. You must purchase your professional liability insurance from an insurer designated or approved by us. Prior to opening for business, you shall furnish to us with certificates and copies of policies issued by each of your insurers indicating that all premiums due have been paid, that all required insurance is in full force and effect and that the insurance will not be terminated or changed without at least 30 days' prior written notice from the insurer to us. Within five days of any request by us, you shall deliver a copy of all insurance policies to us for examination.

C. **Failure to Obtain.** If you fail to obtain or maintain adequate insurance, we may, at our election, obtain insurance for and in your name. Within five days of any written request by us, you shall pay all costs of obtaining adequate insurance.

9. **RELATIONSHIP**

A. Independent Contractor. You acknowledge and agree that you are an independent contractor and not an agent, partner, joint venturer or employee of ours. Neither party is liable or responsible for the other's debts or obligations, nor shall either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement. The parties agree that no partnership, fiduciary relationship, joint venture or employment relationship exists between them. You shall conspicuously identify yourself in all dealings with the public as an entity separate from us. It is expressly agreed that the parties intend by this Agreement to establish between us and you the relationship of franchisor and franchisee. It is further agreed that you have no authority to create or assume in our name or on our behalf, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of us for any purpose whatsoever. You agree that you will not hold yourself out as our agent, employee, partner or co-venturer. All persons hired by or working for you shall not, for any purpose, be deemed our employees or subject to our control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party from any liability of any nature whatsoever.

B. Indemnification. You and each owner of the Business will protect, indemnify and hold us harmless, and our officers, directors, employees, affiliates and agents against all claims, demands, actions, causes of action, losses, damages, costs, suits, judgments, debts, losses, fines, assessments, taxes, liens, legal fees and disbursements, penalties, expenses, and liabilities of any kind or nature arising directly or indirectly out of or in connection with the Business, and any actions, inaction, or representations you, or your employees, make, or your breach of this Agreement. However, you are not required to indemnify us for claims resulting from our breach of this Agreement or other wrongs we commit.

10. RESTRICTIVE COVENANTS

A. Confidential Information. You acknowledge and agree that your entire knowledge of the operation of the Business is derived from our Confidential Information or by virtue of your association with us prior to the date of this Agreement. The Confidential Information is proprietary and constitutes valuable trade secrets. You also acknowledge and agree that all of the Confidential Information is our property and that we have the right to use the Confidential Information in any manner we wish at any time. You shall maintain the confidentiality of the Confidential Information and will not use the Confidential Information in an unauthorized manner or disclose the same to any unauthorized person without first obtaining our written consent.

i. You acknowledge that the Confidential Information is disclosed to you on the condition that you, and your owners agree that during and after the term of this Agreement you: (a) will not use the Confidential Information in any other business or capacity; (b) will maintain the absolute confidentiality of the Confidential Information; (c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and (d) will adopt and implement all reasonable procedures we periodically require to prevent unauthorized use or disclosure of the Confidential Information.

ii. The restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information and knowledge which are or become generally known within the Market, other than through disclosure you make (whether deliberate or inadvertent); and (b) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that you are legally compelled to disclose the information.

B. In-Term Non-Compete. You and your owners will not, directly or indirectly, during the term of this Agreement, in any capacity participate, engage in, be connected with, have any interest in, or assist any person or entity engaged in any other business which offers business advertising, marketing and promotional services.

C. Post-Term Non-Compete. You and your owners will not, directly or indirectly for a period of two years after the expiration or termination of this Agreement, in any capacity participate, engage in, be connected with, have any interest in or assist any person or entity which offers business advertising, marketing and promotional services within the former Market or within a 10-mile radius from the former Market or the Market of any other Locals Love Us Business in existence as of the date of termination. You agree that the time period and the scope of the prohibition are the reasonable and necessary time and distance needed to protect us if this Agreement expires or is terminated for any reason.

D. Exception. The purchase of a publicly traded security of a corporation engaged in a competitive business or service shall not in itself be deemed to violate this Section so long as you do not own, directly or indirectly, more than 1% of the securities of such Corporation.

E. Enforceability. The unenforceability of all or part of these covenants not to compete in any jurisdiction will not affect the enforceability of the covenants not to compete in other jurisdictions, or the enforceability of the remainder of this Agreement. The covenants not to compete are given in part in consideration for training and access to our Confidential Information, and which, if used in a competitive business, would give an unfair advantage.

11. TRANSFER

A. By Us. You acknowledge that our obligations under this Agreement are not personal, and we can unconditionally assign this Agreement to another entity, be acquired by another entity or merge with another entity.

i. We reserve the right to assign the franchise system to anyone including the operator of a competing system. We shall have the absolute right to transfer or assign this Agreement or any of our rights or obligation under this Agreement to any person or entity.

ii. You acknowledge and agree that we may sell our assets, the Marks or the System to any third party of our choice; may offer our securities privately or publicly; may merge with or acquire other corporations or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring; or may terminate or cease to exist or dissolve, in any such case without your

consent and, provided the transferee expressly assumes and undertakes to perform our obligations in all material respects, free of any responsibility or liability whatsoever to you after the transaction occurs.

iii. With regard to any of the above sales, assignment and dispositions, you expressly and specifically waive any claims, demands, or damages against us arising from or related to the transfer of the Marks or the System from us to any other party.

B. By You. You acknowledge and agree that the rights and duties set forth in this Agreement are personal to you. Accordingly, you will not Transfer the Business or the material assets of the Business without our prior written consent, which will not be unreasonably withheld, provided all pre-requisite conditions to transfer are met. Any attempted Transfer without our prior written consent will be a default under the terms of this Agreement and will be voidable by us. No transfer or assignment of this Agreement will be approved by us or be effective unless and until all the following conditions are satisfied:

i. You are in full compliance with this Agreement, you have no uncured defaults, and all your debts and financial obligations to us are current;

ii. You execute a written agreement in a form satisfactory to us in which you and your owners covenant to observe all applicable post-term obligations and covenants contained in this Agreement;

iii. The proposed transferee executes our then-current standard form of franchise agreement (which may provide for different fees, advertising and marketing contributions, and other rights and obligations from those provided in this Agreement);

iv. The proposed transferee agrees in writing to perform such maintenance, remodeling and re-equipping of the Business and that we determine necessary to bring the Business in compliance with our then-current standards;

v. Prior to the date of the proposed Transfer, the proposed transferee successfully completes such training and instruction as we deem necessary;

vi. We are satisfied that the proposed transferee meets all of the requirements for our new franchisees applicable on the date we receive notice of the proposed transfer and including, but not limited to, good reputation and character, business experience, management experience, and financial strength and liquidity;

vii. You and all holders of an interest in you execute a general release, in the form prescribed by us, releasing, to the fullest extent permitted by law, all claims that you or any of your owners may have against us or our affiliates, including our and their respective shareholders, officers, directors and employees, in both their individual and corporate capacities;

viii. You pay us a transfer fee equal to 75% of our then-current initial franchise fee. If the proposed transferee is an existing Locals Love Us franchisee in good standing

as determined by us, the transfer fee will be equal to 40% of the then-current initial franchise fee; and

ix. We do not elect to exercise our right of first refusal under this Agreement.

C. Transfer Upon Death or Disability. If you die or are permanently disabled, we shall consent to the transfer of the interest in the franchise, the Business and this Agreement to your spouse, heirs or relative by blood or by marriage whether such transfer is made by will or by operation of law if, in our sole judgment, such person or persons meet our educational, managerial and business standards; successfully completes our training at the earliest opportunity; possess a good moral character, business reputation and credit rating; have the aptitude and ability to conduct the Business; have at least the same managerial and financial criteria required by new franchisees; and shall have sufficient equity capital to operate the Business. If said transfer is not approved by us, then the executor, administrator or personal representative of such person shall transfer his interest to a third party approved by us within six months after such death, mental incapacity or disability. Such transfer shall be subject to our right of first refusal and to the same conditions as any other transfer.

D. Operation of Business By Us. In order to prevent any interruption in the operation of the Business and any injury to the goodwill and reputation which would cause harm to the Business, you authorize us, and we shall have the right, but not the obligation, to operate the Business for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement, in the event that: (i) you or your Principal Operator are absent or incapacitated by reason of illness or death and that you are not, in our sole judgment, able to perform under this Agreement, or (ii) any allegation or claim is made against the Business, you or the Principal Operator involving or relating to any fraudulent or deceptive practice. In the event that we install a support manager to operate the Business, we, at our option, shall not be obligated so to operate it for a period more than 90 days. All revenues from the operation of the Business during such period of operation by us shall be kept in a separate account and the expenses of the Business, including royalty fees, advertising contributions, compensation and expenses for our representative, shall be charged to said account. If the revenues are not sufficient to cover these expenses, you will pay us on demand the amount necessary to pay these expenses in full. If we elect to temporarily operate the Business on your behalf, you agree to indemnify and hold us harmless from any and all claims arising from our acts and omissions.

12. OUR RIGHT OF FIRST REFUSAL TO PURCHASE

A. Restrictions. You will not make a Transfer without first offering the same to us in writing, at a stated price and on stated terms. Your written offer to us must contain all material terms and conditions of the proposed sale or transfer. Upon our receipt of written notice specifying the proposed price and terms of proposed sale or transfer of your business, we will give you written notice within 10 business days which will either waive our right of first refusal to purchase, or will state an interest in negotiating to purchase the business according to the proposed terms. If we commence negotiations to purchase your business, you may not sell the business to a third party for at least 30 days or until we and you agree in writing that the negotiations have terminated, whichever comes first. If we waive our right to purchase, you will have the right to complete the

sale or transfer of the business according to the terms set forth in the written notice to us but not upon more favorable terms to the proposed buyer. Any such sale, transfer or assignment to a third party is expressly subject to the provisions of this Agreement. Your obligations under this Agreement will not be affected or changed because of our nonacceptance of your written offer.

B. Structure of Entity. If you are a corporation, partnership, limited liability company or other entity, a controlling interest in your entity may not be sold, pledged, assigned, traded, transferred or otherwise disposed of until the interest has been first offered to us in writing under the same terms and conditions offered to any third party. Notwithstanding the terms of this Section, one of your owners may bequeath, sell, assign, trade or transfer his/her interest to your other owners without first offering it to us; however, you must provide us with written notice of all such transactions.

13. OUR TERMINATION RIGHTS

A. Without Opportunity to Cure. You shall be in default and we may, at our option, terminate this Agreement, without affording you any opportunity to cure the default, effective upon the earlier of receipt of notice of termination by you, or five days after mailing of such notice by us, upon the occurrence of any of the following events:

- i. You are insolvent, liquidated or dissolved;
- ii. You cease to operate or otherwise abandon the Business or forfeit the right to do or transact business in the jurisdiction where the Business is located;
- iii. You or any of your owners make an unauthorized Transfer under this Agreement;
- iv. You or any of your owners is proven to have engaged in fraudulent conduct, or is convicted of, or pleads guilty or no contest to a felony or a crime involving moral turpitude, or any other crime or offense that is reasonably likely to have an adverse effect on the Business, the System, the Marks or related goodwill;
- v. You or your Principal Operator does anything, or omits to do anything, the consequences of which adversely affects the safety, welfare or well-being of any customer at any time;
- vi. You are given two or more notices of being in material violation of any of the terms or requirements of this Agreement within any 12-month period, whether or not such defaults are timely cured after notice;
- vii. You knowingly or intentionally maintain false books or records or submit any false record, statement or report to us; or
- viii. You, by act or omission, materially impair the value of, or the goodwill associated with, any of the Marks or the System.

B. With Notice and Opportunity to Cure. Except for those defaults provided for above, you shall be in default of this Agreement for any failure to maintain or comply with any of the terms, covenants, specifications, standards, procedures or requirements imposed by this Agreement or in the Manual or other written document provided by us, or to carry out the terms of this Agreement in good faith. For such defaults, we will provide you with 30 days' written notice of your default and of our intent to terminate the Agreement, or if a default cannot reasonably be cured within 30 days, to begin with that time substantial and continuing action to cure such default and to provide us with evidence of such actions. If the defaults specified in such notice are not cured within the 30-day period, or if substantial and continuing action to cure has not been initiated, this Agreement shall automatically terminate upon the expiration of the thirty day period without further notice. Such defaults shall include, without limitation, the occurrence of any of the following events.

- i. You fail to satisfactorily complete the training, and commence operating the Business within six months of the date of this Agreement;
- ii. You fail to comply with the terms of this Agreement or fail to comply with the Manual;
- iii. You fail, refuse, or neglect to promptly pay any monies owing to us, our affiliates or the System Marketing Fund when due, or to submit the financial or other information required under this Agreement;
- iv. You misuse or make any unauthorized use of the Marks;
- v. You sell non-approved services or products; or
- vi. You, by act or omission in connection with the operation of the Business, permit a continuing violation of, any applicable law, ordinance, rule, or regulation of a governmental body.

14. YOUR TERMINATION RIGHTS; NOTICE REQUIRED

A. Termination. You may terminate this Agreement if we violate any material obligation to you and fail to cure such violation within 60 days after our receipt of written notice from you; provided, however, that you are in compliance with the Agreement at the time of giving such notice of termination. Your written notice must identify the violation and demand that it be cured.

B. Required Notice. A party must give the other party written notice of an alleged default under or violation of this Agreement after it has knowledge of, determines, or is of the opinion that there has been an alleged default under or violation of this Agreement. If there is failure to give written notice of an alleged default under this Agreement within one year from the date that the non-breaching party has knowledge of, determines or is of the opinion that there has been an alleged default, the alleged default will be deemed to be approved and waived, and the alleged default or violation will not be deemed to be a default under or violation of this Agreement.

15. YOUR OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. Post-Term Obligations. Upon termination or expiration of this Agreement, all rights granted to you under this Agreement will terminate, the franchise will revert to us, and you will have the following obligations with respect to the Business:

i. You must immediately cease to operate the Business and shall not thereafter, directly or indirectly, represent to the public or hold yourself out as a Locals Love Us franchisee with respect to such business and discontinue all use of the Marks.

ii. You must immediately and permanently cease to use, in any manner whatsoever, all Confidential Information, all Customer Data, approved information system and related methods, procedures and techniques used by or associated with the System, and the Marks and distinctive forms, slogans, signs, symbols, logos and designs associated with the System.

iii. You must immediately return to us the Manual, Customer Data and any property held or used by you that is owned by us and shall cease to use, and convey to us (or upon notice from us, at our sole option, destroy and certify the destruction of), all signs, advertising materials, displays, stationery, forms and any other materials that bear or display the Marks.

iv. You must take such actions as may be necessary to cancel any assumed name or similar registration that contains the Mark “Locals Love Us” or any other Mark, and you shall furnish us with evidence satisfactory to us of compliance with this obligation within 30 days after termination or expiration.

v. You must promptly pay all sums owed to us, and if this Agreement is terminated for any reason other than as a result of a material breach of this Agreement by us that is not cured within 30 days or such longer period as may be necessary after written notice thereof from you, such sums shall include all damages, costs, and expenses, including reasonable attorneys’ fees and interest, incurred by us as a result of the default and the termination. You agree that until such obligation is paid in full, you will grant us a lien against any and all of the personal property, furnishings, equipment, signs, fixtures and inventory owned by you and used in the Business or located at your business premises (if any) on the date this Agreement terminates or expires.

vi. You must pay to us all damages, costs and expenses, including reasonable attorneys’ fees and interest, incurred by us by subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any term, covenant or provision of this Agreement.

vii. You must take all further action and execute all documents necessary to convey and assign to us all telephone numbers and have been used in the operation of the Business and you shall cease all use of such telephone numbers.

viii. You must comply with the covenants contained in this Agreement, including, but not limited to, the covenant not to compete and the covenant not to disclose Confidential Information.

B. Our Option to Purchase. Upon the termination of this Agreement, we shall have the option to purchase all of your rights, title and interest in the Business and all improvements, equipment, Products, accounts, contract rights and other business assets (“Assets”). The purchase price for the Assets will be the current fair market value. If the parties cannot agree on the fair market value within a reasonable time, an independent appraiser will be designated by each of the parties, and an average of the two appraised values will be binding. Appraised values will exclude any and all consideration for goodwill or going concern value created by the Marks and System licensed to you.

16. NOTICES

A. Method. All notices sent by one party to the other must be hand-delivered, sent by registered or certified mail, return receipt requested, or transmitted by facsimile or sent by other electronic means, if the sender can verify receipt. They will be addressed to us at our office, or at any other address we designate in writing, and addressed to you at your last known business address, or at any other address you designate in writing.

B. Effective Receipt. Any notice is considered given and received, when delivered, if hand-delivered; if sent by facsimile, or electronic means in which receipt can be verified, on the next business day after sent; and if mailed, on the third business day following the mail.

17. DISPUTE RESOLUTION

A. Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.*) or other federal law, this Agreement shall be interpreted under the laws of the State in which the Market is located, excluding its choice of law rules.

B. Mediation. Before either party commences arbitration under Section 17(C) below, any dispute subject to arbitration must be submitted to non-binding mediation. The mediation will be conducted in Sioux Falls, South Dakota, either through an individual mediator or a mediator appointed by a mediation services organization. The mediator shall be experienced in the mediation of franchise disputes. The parties will equally bear the costs of mediation.

C. Arbitration. Unless we elect to enforce the provisions of this Agreement by injunction as provided in Section 17(D), all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation of this Agreement (including claims of fraud in the inducement and other claims of fraud and the arbitrability of any matter) will be settled by arbitration in Sioux Falls, South Dakota. The arbitrator(s) will have a minimum of five years’ experience in the law of franchising and will have the right to award specific performance of this Agreement. The proceedings will be conducted under the Commercial Arbitration Rules of The American Arbitration Association, to the extent

such rules are not inconsistent with the provisions of this arbitration provision. The decision of the arbitrator(s) will be final and binding on all parties; provided, the arbitrator(s) may not under any circumstances: (a) stay the effectiveness of any pending termination of this Agreement; (b) assess punitive or exemplary damages; or (c) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance set by Franchisor. This Section will survive termination or non-renewal of this Agreement under any circumstances. You and we agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between us (and our officers, directors and agents) and you (or your owners and affiliates) cannot be consolidated with any other arbitration proceeding involving us or the Locals Love Us franchise system. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. During any pending arbitration proceedings, you and we will fully perform their respective obligations under this Agreement.

D. Injunctive Relief. You recognize that a single franchisee's failure to comply with the terms of its agreement could cause irreparable damage to us and/or to some or all other franchised Businesses. Therefore, if you breach or threaten to breach any of the terms of this Agreement, and notwithstanding the mandatory arbitration provisions of Section 17(D), we will be entitled to seek an injunction restraining your breach and/or a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining such equitable relief, including interest, until such time as a final and binding determination is made by the arbitrator(s). Any claims for injunctive relief involving federal trademark law will be brought in any Federal District Court that we elect.

E. Waiver of Punitive Damages. You and us and our affiliates agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained.

18. MISCELLANEOUS

A. Additional Notice. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder, the prior notice or other action required by such law or rule will be substituted for the notice requirements hereof. Such modifications to this Agreement will be effective only in such jurisdiction and will be enforced as originally made and entered into in all other jurisdictions. We have the right unilaterally to reduce the scope of any of your covenants contained in this Agreement upon notice to you, whereupon you must comply with them as so modified.

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

C. Attorneys' Fees. If either party institutes a legal proceeding, including court proceeding and arbitration, and prevails entirely or in part in any action at law or in equity against

the other party based entirely or in part on the terms of this Agreement, the prevailing party shall be entitled to recover from the losing party, in addition to any judgment, reasonable attorneys' fees, court costs and all of the prevailing party's expenses in connection with any action at law.

D. Waiver. No failure, forbearance, neglect or delay of any kind on our part in connection with the enforcement or exercise of any rights under this Agreement shall affect or diminish our right to strictly enforce and take full benefit of each provision of this Agreement at any time, whether at law for damages, in equity for injunctive relief or specific performance, or otherwise. No custom, usage or practice with regard to this Agreement by you or by our other franchisees shall preclude the strict enforcement of this Agreement in accordance with its literal terms. No waiver by us of performance of any provision of this Agreement shall constitute or be implied as a waiver of our right to enforce that provision at any future time.

E. Entire Agreement. This Agreement, together with the Manual, any written related agreements and all Exhibits, constitutes the entire understanding and agreement between the parties and supersedes all prior understandings, whether oral or written, pertaining to this Agreement, and the System and Business. Nothing in this Agreement is intended to negate the disclosures contained in our Disclosure Document. No interpretation, change, termination or waiver of any provision of this Agreement, and no consent or approval under this Agreement, shall be binding upon you or us or effective unless in writing signed by you and by our CEO, President or Vice President, except that a waiver need be signed only by the party waiving. You acknowledge that the franchise has been granted in reliance upon the information supplied to us your application for a franchise.

F. Performance. You agree that you shall not, on grounds of an alleged nonperformance by us of any of our obligations or any other reason, withhold payment of any amount due to us whatsoever. No endorsement or statement on any check or payment of any sum less than the full sum due to us shall be construed as an acknowledgment of payment in full or an accord and satisfaction, and we may accept and cash such check or payment without prejudice to its right to recover the balance due or pursue any other remedy provided herein or by law. We may apply any payments made by you against any past due indebtedness of yours as we may see fit. We may set off against any payment due to you any of your outstanding debts.

G. Cumulative Rights. The rights of the parties hereto are cumulative and no exercise or enforcement by a party of any right or remedy hereunder shall preclude the exercise or enforcement by that party of any other right or remedy herein contained, or to which it is entitled by law.

H. Headings. The headings of the Sections hereof are for convenience only and do not define, limit or construe the contents of such Sections.

I. Acknowledgement. The parties declare that they are independent contractors and not agents or partners, and no training or supervision given by, or assistance from, us shall be deemed to negate such independence. You acknowledge that the success of your Business is largely dependent on your own efforts and hereby assumes the responsibility for your success or failure. You acknowledge that you have had ample time and opportunity to investigate our business and to consult with legal and financial advisors of your choice.

J. **Force Majeure.** Neither party hereto shall be liable for any loss or damage due to any delay in the due performance of the terms hereof (except for the payment of money) by reason of strikes, lockouts and other labor relations, fires, riots, wars, embargoes and civil commotion, or acts of God. Any such delay shall extend performance only so long as such event is in progress.

K. **Assigns.** This Agreement shall be binding upon, and subject to Section 11, shall inure to the benefit of, the parties' successors.

L. **Modifications.** This Agreement may only be modified or amended by a written document executed by both parties. You acknowledge that we may modify our standards and specifications and operating and marketing techniques set forth in the Manual unilaterally under any conditions and to the extent in which we, in our sole judgment, deem necessary to protect, promote, or improve the Marks, and the quality of the System, but under no circumstances will such modifications be made arbitrarily without such determination.

M. **Delegation.** From time to time, we shall have the right to delegate the performance of any portion or all of our obligations and duties under this Agreement to third parties, whether the same are our agents or independent contractors which we have contracted with to provide such services. You agree in advance to any such delegation by us of any portion or all of our obligations and duties hereunder.

N. **Interpretation of Rights and Obligations.** The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

1. **Our Rights.** Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify any express limitations set forth in this Agreement.

2. **Our Reasonable Business Judgment.** Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

P. **Adaptations and Variances.** Complete and detailed uniformity under many varying conditions may not always be possible, practical, or in the best interest of the System. Accordingly, we have the right to vary the standards, specifications, and requirements for any

customs or circumstances of a particular franchise or operating agreement, site or location, population density, business potential, existing business practice, competitive circumstance or any other condition that we deem to be of importance to the operation of such Business or the System. We are not required to grant to you a like or other variation as a result of any variation from standard specifications or requirements granted to any other franchisee.

Q. Notice of Potential Profit. We and our affiliates may from time to time make available to you goods, products and services for use in your Business on the sale of which we or our affiliates may make a profit. Further, we and our affiliates may from time to time receive consideration from suppliers and manufacturers in respect to sales of goods, products or services to you or in consideration of services rendered or rights licensed to such persons. You agree that we and our affiliates are entitled to said profits and/or consideration.

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

The parties intending to be legally bound, have executed, and delivered this Agreement on this ____ day of _____, 20__.

WITNESS:

FRANCHISOR:
LOCALS OPERATING COMPANY,
LLC

By: _____

Its: _____

Date: _____

WITNESS:

FRANCHISEE:

By: _____

Its: _____

Date: _____

SCHEDULE 1

MARKET

SCHEDULE 2

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS (DIRECT DEBITS)

The undersigned depositor (“**Depositor**”) hereby (1) authorizes Locals Operating Company, LLC (“**Company**”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account indicated below, and (2) authorizes the depository designated below (“**Depository**”) to debit such account pursuant to Company’s instructions.

_____ Depository		_____ Branch
_____ City	_____ State	_____ Zip Code
_____ Bank Transit/ABA Number		_____ Account Number

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Depositor of the Depositor’s termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide Company and Depositor within 30 days’ prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor’s account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if (a) within 15 calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry, or (b) 45 days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error, and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

_____ DEPOSITOR (Print Name)	_____ DEPOSITORY (Print Name)
By: _____	By: _____
Its: _____	Its: _____

SCHEDULE 3
LOCALS OPERATING COMPANY, LLC

TELEPHONE LISTING AUTHORIZATION AND ASSIGNMENT AGREEMENT

THIS AGREEMENT (the “**Agreement**”), dated _____, 20_ is made by and between Locals Operating Company, LLC, (“**Franchisor**”) and _____ a _____ (“**Franchisee**”).

In consideration of the granting of a franchise to Franchisee pursuant to a Franchise Agreement signed contemporaneously with this Agreement and other valuable consideration, the parties as follows:

1. Franchisee is authorized and agrees to obtain telephone service for Franchisee’s Locals Love Us business located at _____. Such service shall not be used in conjunction with any other business or residential telephone service. Franchisee is authorized and agrees to secure white page, yellow pages and information listings only in the name of Locals Love Us. Franchisee shall submit to Franchisor for its written approval all telephone listings, yellow page display advertising, layout and copy prior to their placements with the telephone company. The Franchisor’s approval shall not be unreasonably withheld. Franchisee shall be responsible for the payment of any and all service charges and fees in connection with obtaining telephone services, advertising and listings.

2. Franchisee hereby assigns to Franchisor all telephone numbers and telephone listings utilized by Franchisee in operation of Franchisee’s Locals Love Us business located at _____, which assignment shall become effective immediately upon the termination of the Franchise Agreement, or upon termination of Franchisee’s association with Franchisor, whichever occurs first. This assignment is irrevocable and this Agreement shall constitute conclusive evidence of such assignment. Franchisor will deliver this Agreement to the telephone company or any other relevant party to effectuate such assignment.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

FRANCHISOR:
LOCALS OPERATING COMPANY, LLC

FRANCHISEE

By: _____
Its: _____

By: _____
Its: _____

**SCHEDULE 4
TO FRANCHISE AGREEMENT**

OWNER AGREEMENT

As a condition to the granting by Locals Operating Company, LLC (“we” or “us”) of a Franchise Agreement (the “**Franchise Agreement**”) granting the right to operate a Locals Love Us business (the “**Business**”) to _____ (“**Franchisee**”), each of the undersigned individuals (“you”), who constitute each beneficial holder of an interest in the Franchisee, agrees to be bound by the terms and restrictions of this Agreement (this “**Agreement**”):

1. **Acknowledgments.** Each of you, jointly and severally, represents and warrants to us:

A. That you are the holders of all equity, voting and other interests in Franchisee and all options, warrants and rights to acquire an interest in Franchisee and that the address and telephone number set forth next to your name below are accurate and complete and you will immediately advise us of any change in the information and we may use or distribute the same as required by law, including in our Franchise Disclosure Document;

B. That Franchisee is a corporation, limited liability company or partnership, duly organized, validly existing and in good standing under the laws of the State of _____, and that Franchisee is qualified to do business in the state where the Business is to be operated;

C. That your Principal Operator is _____. All communication between us and you shall be through the Principal Operator.

D. It is a condition to the granting of the franchise to Franchisee that you enter into this Agreement and we have entered into the Franchise Agreement in reliance upon your agreement to do so, and will continue to do so;

E. That, as Franchisee’s owners, you have received adequate consideration to support your execution of this Agreement.

2. **Confidentiality and Non-Competition Agreements.**

A. **In Term Covenant Not-to-Compete.** Each of you agrees that during the period Franchisee operates a Locals Love Us business, or has any beneficial interest in such a Business, you shall not directly or indirectly in any capacity participate, engage in, be connected with, have any interest in, or assist any person or entity engaged in any other business which offers business advertising, marketing and promotional services.

B. Post-Term Covenant Not-to-Compete. Each of you agrees that for a two-year period after Franchisee ceases to have any interest in any Locals Love Us business or any rights to develop such Business, regardless of the reasons such interest ceases or terminates, you will not directly or indirectly in any capacity participate, engage in, be connected with, have any interest in, or assist any person or entity engaged in any business which offers business advertising, marketing and promotional services within the former Market and within a 10-mile radius of the former Market or the Market of any other Locals Love Us Business in existence as of the date of termination.

C. Appropriation and Disclosure of Information. Except as permitted under the Franchise Agreement, you will not at any time use, copy or duplicate the System, the Manual, the Confidential Information or any aspect thereof, or any of our trade secrets, methods of operation, processes, advertising, marketing, designs, plans, software, programs, know-how or other proprietary ideas or information, nor will you convey, divulge, make available or communicate such information to any third party or assist others in using, copying or duplicating any of the foregoing.

D. Infringement; Validity of Marks and Copyrights; Registrations. You will not at any time commit any act that would infringe upon or impair the value of the System or the Marks, nor will you engage in any business or market any product or service under a name, mark, or design that is confusingly or deceptively similar to any of the Marks. You agree that you will not, at any time directly or indirectly challenge or contest the validity of, or take any action to jeopardize our rights in or ownership of, any of the Marks or any registration of a Mark or any copyrighted work. If you violate this provision, we shall be entitled to all equitable, monetary, punitive and any other relief that may be available under applicable law, as well as the recovery of all costs, expenses, interest, and attorneys' fees incurred by us as a result of such violation.

E. Trade Secrets and Confidential Information. You understand and agree that we have disclosed or may disclose to you Confidential Information. Except as necessary in connection with the operation of the Business and as approved by us, you shall not, at any time (during or after the term), regardless of the cause of termination, directly or indirectly, use for your own benefit or communicate or divulge to, or use for the benefit of any other person or entity, any Confidential Information, knowledge or know-how or methods of operation of the Business or the System. You shall disclose to your employees only such Confidential Information as is necessary to operate the Business and then only while this Agreement is in effect.

F. Reasonableness of Scope and Duration. You agree that the covenants and agreements contained in Section 2 are, taken as a whole, reasonable with respect to the activities covered and their geographic scope and duration, and no party shall raise any issue of the reasonableness of the areas, activities or duration of any such covenants in any proceeding to enforce any such covenants. Each of you acknowledge and agree that you have other skills and resources and that the restrictions contained in this Section will not hinder your activities or ability to make a living either under the Agreement or in general.

G. Enforceability. Each of you agree that we may not be adequately compensated by damages for a breach of any of the covenants and agreements contained herein, and that we shall, in addition to all other remedies, be entitled to injunctive relief and specific performance. The covenants and agreements contained in this Section 2 shall be construed as separate covenants and agreements, and if any court shall finally determine that the restraints provided for in any such covenants and agreements are too broad as to the area, activity or time covered, said area, activity or time covered may be reduced to whatever extent the court deems reasonable, and such covenants and agreements shall be enforced as to such reduced area, activity or time. To the extent required by the laws of the state in which the Business is located, the duration or the geographic areas included within these covenants, or both, shall be deemed amended in accordance with Section 2.

3. **Guaranty.**

A. Guaranty. Each of you personally and unconditionally guaranty to us, as well as any of our affiliates, successors or assigns, the punctual payment when due of all sums, indebtedness and liabilities of every kind and nature that Franchisee may now or in the future owe to any of us (including interest, and all attorneys' fees, costs and expenses incurred by any of us in collection).

B. Covenants and Acknowledgments. Each of you covenant and agree that: (1) liability under this guaranty shall be joint and several; (2) that this is a guaranty of payment and not of collection and you shall render any payment required under the Franchise Agreement or this guaranty upon demand; (3) this guaranty shall extend to all amounts you may now or in the future owe to any of us, whether pursuant to the Franchise Agreement or otherwise; (4) your liability under this guaranty shall not be contingent or conditioned upon pursuit by us of any remedies against Franchisee or any of you; (5) your liability shall not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence or waiver that we may from time to time grant to Franchisee or to any of you, including, without limitation, the acceptance of partial payment or performance, the compromise or release of any claims, the release of any other guarantor, or our consent to any transfer or assignment of the franchise or any interest therein and expressly reserve all rights that we may have against you.

C. Term of Guaranty. This guaranty and your obligations under it shall continue in effect so long as you operate a Locals Love Us business or hold any beneficial interest in such Business and for a six-month period thereafter. Further, this guaranty shall be extended during any period in which (1) any of us is involved in any judicial or administrative process with Franchisee or any of you to collect any amounts owed us by you, or to enforce the terms of this guaranty; or (2) any bankruptcy or similar proceeding involving Franchisee or any of you. Your obligations 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 of Franchisee (whether or not you shall have any knowledge or notice thereof), including, without limitation, bankruptcy, insolvency, reorganization, composition, liquidation or similar proceeding or any action taken by any trustee or receiver or by any court in any such proceeding.

D. Waivers. Each of you waives notice of demand, protest, nonpayment or default, and all other notices to which Franchisee or you may be entitled, and all suretyship and guarantor's defenses generally and any and all other notices and legal or equitable defenses to which you may be entitled. You waive any right that you may have to require that an action be brought against Franchisee or any other payments and claims for reimbursement or subrogation that you may have against Franchisee arising as a result of your execution and performance of this guaranty.

E. Assignment. This guaranty is personal to you and the obligations and duties imposed in it may not be delegated or assigned; provided, this guaranty shall be binding upon your successors, assigns, estates and personal representatives. This guaranty shall inure to our benefit, and the benefit of our affiliates, successors and assigns.

F. Enforcement. If any one or more provisions in this guaranty shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this guaranty shall be construed to bind you to the maximum extent permitted by law.

4. **Covenant Not to Transfer Interests.** The Franchise Agreement, and your rights and obligations under it, is and shall remain personal to you. Any proposed Transfer by you (regardless of the form of transfer) shall be subject to the same terms and conditions contained in the Franchise Agreement. Each of you agree and covenant that you will not at any time during which Franchisee is our franchisee, directly or indirectly, voluntarily or involuntarily, make any Transfer, unless you first obtain our written approval in compliance with the same provisions applicable to a transfer by you as set forth in the Franchise Agreement. You shall cause all stock certificates (or other documents evidencing an interest or right to acquire an interest) issued by Franchisee to bear a legend indicating that such stock (or other documents) is subject to the restrictions provided for in the applicable Agreement.

5. **Miscellaneous.**

A. Capitalized Terms. For purposes of this Agreement, all capitalized terms in this Agreement shall have the same meaning as those terms are defined in the Franchise Agreement.

B. Disputes. Disputes under this Agreement shall be resolved in the same manner as provided under the Franchise Agreement. You expressly acknowledge that the provisions of the Franchise Agreement pertaining to mediation, arbitration venue, applicable law, time periods and limitations govern any disputes between us and you.

Each of you has signed this Agreement on the date set forth opposite your signature.

Signature:_____

Date:_____

Name:_____

Address:_____

Percentage Interest:_____

Signature:_____

Date:_____

Name:_____

Address:_____

Percentage Interest:_____

Signature:_____

Date:_____

Name:_____

Address:_____

Percentage Interest:_____

Signature:_____

Date:_____

Name:_____

Address:_____

Percentage Interest:_____

**SCHEDULE 5
TO FRANCHISE AGREEMENT**

CRM SOFTWARE LICENSE AGREEMENT

**LOCALS LOVE US
SOFTWARE LICENSE AGREEMENT**

THIS LOCALS LOVE US SOFTWARE LICENSE AGREEMENT (this “Agreement”), between Locals Operating Company, LLC (the “Company”), and _____ (“Licensee”), is effective as of _____, 20____ (the “Effective Date”).

BACKGROUND

A. The Company and Licensee are parties to a franchise agreement (the “Franchise Agreement”) under which Licensee operates a Locals Love Us franchised business (the “Business”).

B. The Company owns a proprietary software program call LoLu – Your Personal Digital Assistant™ (the “CRM Software”) that assists franchisees in managing the operations of a Locals Love Us business.

C. The Company has contracted with a third-party hosting service to host the CRM Software (the “Hosting Service”) on a wide-area network in a data center environment that offers security and high-availability.

D. Licensee desires to access the CRM Software through the Hosting Service for Licensee’s Business.

AGREEMENT

In consideration of the foregoing and the agreements stated below, the parties agree as follows:

1. **ACCESS TO CRM SOFTWARE**

A. **Grant of Access.** The Company grants to Licensee a non-transferable and non-exclusive right to access the CRM Software website for use solely in connection with the operation and management of the Business.

B. **Restrictions on Use.** Licensee may use the CRM Software only as permitted under the terms of this Agreement. Licensee cannot use the CRM Software for any other use, including copying, reproduction, or processing of data arising other than from the internal operations of the Business. Licensee will use its best efforts to protect the CRM Software at all times from any unauthorized use.

2. **HOSTING SERVICE**

A. **Terms and Conditions.** Licensee must accept and comply with any applicable terms and conditions established by the Hosting Service in connection with use of the CRM Software.

B. **Connectivity.** Licensee must provide Internet-based wide-area network (“WAN”) connectivity from Licensee’s site with sufficient bandwidth to meet Licensee’s use demands. The Company is not responsible for functionality with lesser bandwidth than required. Licensee must use the compatible browser configuration specified by the Company. Licensee will comply with the Company’s minimum hardware requirements for the use of CRM Software, as disclosed and periodically updated in the Company’s confidential franchise operations manuals (the “Manual”).

C. Security. Licensee is responsible for keeping and maintaining the security of its passwords. Licensee will notify the Company within 24 hours upon the departure of any employee who had been given a password so that their access can be revoked. The Company will not be responsible for unauthorized access to Licensee's data that results from Licensee's failure to keep secure its assigned passwords.

3. PAYMENT

As further described in the Franchise Agreement, Licensee will pay to the Company an initial installation and set-up fee of \$4,500 on or before the date Licensee commences operation of the Business. Licensee will also pay the Company a continuing monthly technology fee as further described in the Franchise Agreement.

4. MAINTENANCE SERVICES; UPDATES

A. The Company will provide basic ongoing maintenance services respecting the CRM Software. Provided the Licensee continues to pay the technology fee required under the Franchise Agreement and provided that Licensee maintains its status as a Franchisee of the Company, in good standing, the Company will provide Licensee with all updates to the CRM Software as they become available.

B. The Company may, in its sole discretion, periodically release updates, modifications and enhancements respecting the CRM Software. Licensee will install any fixes, updates, modifications or enhancements which the Company designates as mandatory. The Company may charge a reasonable fee for its services, including any services or expenses relating to updates, modifications, and enhancements to the CRM Software which it elects to release.

5. CONFIDENTIALITY; CUSTOMER DATA

A. Confidential Information. The Company and Licensee agree that all provisions in the Franchise Agreement respecting "Confidential Information" (as defined in the Franchise Agreement) will apply to the CRM Software, Licensee's use of the CRM Software and data stored on or collected from the CRM Software. The Company will use reasonable efforts to obtain the agreement of the Hosting Service to maintain the confidentiality of all Confidential Information in its possession.

B. Customer Data. The Company and Licensee agree that all provisions in the Franchise Agreement respecting "Customer Data" (as defined in the Franchise Agreement) will apply to this Agreement. The Company owns all Customer Data, including that which is stored on or collected from the CRM Software and grants Franchisee the right to use the Customer Data during the term of this Agreement only. The Company periodically will establish policies (the "Policies") respecting the use of and restrictions on the use of Customer Data.

6. INDEMNIFICATION FOR THIRD PARTY INFRINGEMENT CLAIMS

A. Indemnification of Licensee. The Company agrees to extend to Licensee any assignable indemnification rights applicable to Licensee that the Hosting Service grants to the Company.

B. Licensee Indemnification of Company, Affiliate and Hosting Service. In addition to Licensee's indemnification obligations under the Franchise Agreement, Licensee will hold harmless, indemnify and defend the Company and Hosting Service against all claims and will pay all costs, damages, interest, and reasonable attorneys' fees, arising out of or resulting from Licensee's failure to comply with all applicable terms of this Agreement or any terms and conditions established by the Hosting Service.

7. WARRANTY DISCLAIMER

THE COMPANY DISCLAIMS ALL WARRANTIES, EXPRESS, IMPLIED, OR STATUTORY, INCLUDING NON-INFRINGEMENT (EXCEPT AS PROVIDED IN SECTION 6 ABOVE), MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. FURTHER, WITHOUT LIMITING THE FOREGOING, COMPANY DISCLAIMS ANY WARRANTY AND MAKES NO REPRESENTATION WHATSOEVER WITH RESPECT TO ANY BUSINESS DATA (INCLUDING DATA OBTAINED FROM A THIRD PARTY) THAT IS PRE-LOADED ON THE CRM SOFTWARE.

8. LIMITATION ON DAMAGES

THE LIABILITY OF THE COMPANY TO LICENSEE WILL NOT EXCEED THE AMOUNTS LICENSEE PAYS TO THE COMPANY UNDER THIS AGREEMENT. THE COMPANY WILL NOT BE LIABLE TO LICENSEE FOR INDIRECT, SPECIAL, INCIDENTAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS) RELATED TO THIS AGREEMENT OR RESULTING FROM LICENSEE'S USE OR INABILITY TO USE THE SOFTWARE, THAT ARISE FROM ANY CAUSE OF ACTION, INCLUDING CONTRACT, WARRANTY, STRICT LIABILITY, OR NEGLIGENCE, EVEN IF THE COMPANY HAS BEEN NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

9. PROPRIETARY RIGHTS

Other than the access granted under this Agreement, no right, title or interest in all or any portion of the CRM Software is conveyed or assigned to Licensee, either expressly or by implication, under this Agreement, including any patents, copyrights, trade secrets, trademarks, trade names, or other intellectual property associated with the CRM Software.

10. TERM AND TERMINATION

A. Term and Termination. This Agreement commences on the Effective Date and continues until the current term of the Franchise Agreement terminates or expires, unless this Agreement is earlier terminated under this Section. The Company may terminate this Agreement: (1) immediately upon written notice to Licensee if Licensee violates Sections 1(B) or 5 above; (2) if Licensee violates any provision of this Agreement (other than Section 1(B) or 5 above) and fails to cure such violation within the period of time permitted for violation of a material provision of the Franchise Agreement; (3) immediately if Licensee ceases to have the right to operate the Business or the Franchise Agreement expires or terminates for any reason; or (4) upon 90 days' written notice from the Company that it intends to discontinue use of or replace the CRM Software.

11. MISCELLANEOUS

A. This Agreement will be governed by the laws of the State of South Dakota.

B. This Agreement represents the entire agreement between the parties respecting this subject matter and supersedes all prior agreements, representations, negotiations and understandings between the parties. The applicable terms of the Franchise Agreement will also control this Agreement. Licensee expressly acknowledges that a violation or default of the Franchise Agreement will constitute a default of this Agreement and any default of this Agreement will constitute a default of the Franchise Agreement. If Licensee defaults under the Franchise Agreement, the Company may pursue all remedies available to it under this Agreement or the Franchise Agreement, including the right of termination.

C. All amendments to this Agreement must be in writing and signed by both parties.

D. If any provision of this Agreement is found by a court of competent jurisdiction to be illegal or unenforceable, then the remaining provisions will remain in full force and effect.

E. The Company may assign this Agreement to any other person or entity. Licensee may assign this Agreement only to its successor in interest under the terms of the Franchise Agreement.

F. Notices will be given to the parties at the addresses listed in the Franchise Agreement and will be deemed given as described in the Franchise Agreement.

The parties have signed this Agreement as of the date first written above.

THE COMPANY:

LOCALS OPERATING COMPANY, LLC

By: _____
Title: _____

LICENSEE:

(If Franchisee is a corporation or limited liability company)

Name of corporation or limited liability company

By: _____
Title: _____

(If Franchisee is an individual owner, Franchisee must sign below; if a partnership, all partners must sign below)

Franchisee

Franchisee

Franchisee

Franchisee

SCHEDULE 6
ACKNOWLEDGMENT ADDENDUM TO
LOCALS LOVE US FRANCHISE AGREEMENT

As you know, you and we are entering into a Franchise Agreement for the operation of a Locals Love Us franchise. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations*.

1. Did you receive a copy of our Franchise Disclosure Document (and all exhibits and attachments) at least 14 calendar days prior to signing the Franchise Agreement? Check one: () Yes () No. If no, please comment: _____

2. Have you studied and reviewed carefully our Franchise Disclosure Document and Franchise Agreement? Check one: () Yes () No. If no, please comment: _____

3. Did you understand all the information contained in both the Franchise Disclosure Document and Franchise Agreement? Check one () Yes () No. If no, please comment: _____

4. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Franchise Disclosure Document? Check one: () No () Yes. If yes, please state in detail the oral, written or visual claim or representation: _____

5. Except as stated in Item 19 of our Franchise Disclosure Document, did any employee or other person speaking on behalf of Locals Operating Company, LLC make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted or projected sales, revenues, earnings, income or profit levels at any Locals Love Us market or business, or the likelihood of success of your franchised business? Check one: () No () Yes. If yes, please state in detail the oral, written or visual claim or representation: _____

6. Except as stated in Item 19 of our Franchise Disclosure Document, did any employee or other person speaking on behalf of Locals Operating Company, LLC make any statement or promise regarding the costs involved in operating a franchise or that is contrary to, or different from, the information contained in the Franchise Disclosure Document. Check one: () Yes () No. If yes, please comment: _____

7. Do you understand that that the franchise granted is for the right to operate the Business in the Market, as stated in Subparagraph 2.A, and that we and our affiliates have the right to issue franchises or operate competing businesses for or at locations, as we determine, outside of your Market using any trademarks and inside your Market (for non-competitive businesses) using any trademarks other than the Locals Love Us Marks, as described in Subparagraph 2.B? Check one: () Yes () No. If no, please comment: _____

8. Do you understand that the Franchise Agreement (and the representations in the Franchise Disclosure Document) constitute the entire agreement between you and us concerning the franchise for the Business, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding? Check one: () Yes () No. If no, please comment: _____

9. Do you understand that the success or failure of your Business will depend in large part upon your skills and experience, your business acumen, your location, the local market for promotional and advertising services, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your Business may change? Check one () Yes () No. If no, please comment: _____

10. Do you understand that you are bound by the non-compete covenants (both in-term and post-term) listed in Subparagraphs 10.B and 10.C and that an injunction is an appropriate remedy to protect the interests of the Locals Love Us system if you violate the covenant(s)? Further, do you understand that the term "you" for purposes of the non-compete covenants is defined broadly in subparagraphs 10.B and 10.C, such that any actions in violation of the covenants by those holding any interest in the franchisee entity may result in an injunction, default and termination of the Franchise Agreement? () Yes () No. If no, please comment: _____

11. Did you receive a list of the Locals Love Us franchisees (with telephone numbers) and did you have an opportunity to talk with them about their experience in the Locals Love Us system? () Yes () No. If no, please explain: _____

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

Signed: _____

Print Name: _____

Date: _____

Accepted on behalf of
LOCALS OPERATING COMPANY, LLC

By: _____

Title: _____

Date: _____

Signed: _____

Print Name: _____

Date: _____

*Such representations are not intended to nor shall they act as a release, estoppels or waiver of any liability incurred under the Illinois Franchise Disclosure Act or under the Maryland Franchise Registration and Disclosure Law.

EXHIBIT C
SAMPLE RELEASE

SAMPLE RELEASE OF CLAIMS

THIS IS A CURRENT FORM THAT IS SUBJECT TO CHANGE OVER TIME.

For and in consideration of the Agreements and covenants described below, Locals Operating Company, LLC (“Franchisor”) and _____ (“Franchisee”) enter into this Release of Claims (“Agreement”).

RECITALS

- A. Franchisor and Franchisee entered into LOCALS LOVE US Franchise Agreement dated _____.
- B. [NOTE: Described the circumstances relating to the release.].
- C. Subject to and as addressed with greater specificity in the terms and conditions set forth below, Franchisor and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement.

AGREEMENT

- 1. **Consideration.** [NOTE: Describe the consideration paid.]
- 2-3. [NOTE: Detail other terms and conditions of the release.]
- 4. **Release of Claims by Franchisor.** In consideration of, and only upon full payment of \$_____ to Franchisor, and the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisor, for itself and for each of its affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of its past and present directors, officers, employees, attorneys, agents, assigns and representatives does hereby release and forever discharge Franchisee and each of his heirs, executors, successors, and assigns of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney’s fees), complaints, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, disclosed or undisclosed, related to the Franchise Agreement. This release does not release Franchisee from any obligations he may have under this Agreement.
- 5. **Release of Claims by Franchisee.** In consideration of the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisee, for himself and for each of his heirs, executors, administrators, insurers, attorneys, agents, representatives, successors, and assigns, does hereby release and forever discharge Franchisor and each of its respective affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of their past and present directors, officers, employees, attorneys, agents, assigns and representatives in their capacities as such, of and from any and all actions, suits,

proceedings, claims (including, but not limited to, claims for attorney's fees but excluding claims under the Maryland Franchise Registration and Disclosure Law), complaints, charges, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, related to the Franchise Agreement.

6. **Reservation of Claims Against Non-Settling Parties.** Franchisor and Franchisee expressly reserve their right and claims against any non-settling persons, firms, corporations, or other entities for whatever portion or percentage their damages are found to be attributable to the wrongful conduct of said non-settling parties.

7. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to the contents contained in this Agreement are merged into this Agreement.

8. **Voluntary Nature of Agreement.** The parties acknowledge and agree that they have entered into this Agreement voluntarily and without any coercion. The parties further represent that they have had the opportunity to consult with an attorney of their own choice, that they have read the terms of this Agreement, and that they fully understand and voluntarily accept the terms.

9. **Governing Law and Jurisdiction.** This Agreement will be construed and enforced in accordance with the law of the state of _____.

10. **Attorneys' Fees.** All rights and remedies under this Agreement shall be cumulative and none shall exclude any other right or remedy allowed by law. In the event of a breach of this Agreement that requires one of the parties to enforce the terms and conditions of this Agreement, the non-prevailing party shall pay the prevailing party's attorneys' fees and costs incurred by reason of the breach.

Dated: _____, 20__

**LOCALS OPERATING COMPANY,
LLC**

By _____
Its _____

Dated: _____, 20__

FRANCHISEE: _____

By _____

EXHIBIT D

**LIST OF STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

**LIST OF STATE ADMINISTRATORS AND
AGENTS FOR SERVICE OF PROCESS**

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4 th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501

EXHIBIT E
STATE SPECIFIC ADDENDA

CALIFORNIA ADDENDUM TO LOCALS LOVE US FRANCHISE DISCLOSURE DOCUMENT

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply. The Item number corresponds to the Item in the main body of the Disclosure Document.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO EXECUTION OF THE AGREEMENT.

SECTION 31119 OF THE CALIFORNIA CORPORATIONS CODE STATES THAT IT IS UNLAWFUL TO SELL ANY FRANCHISE IN CALIFORNIA THAT IS SUBJECT TO REGISTRATION UNDER THE CALIFORNIA FRANCHISE INVESTMENT LAW WITHOUT FIRST PROVIDING THE PROSPECTIVE FRANCHISEE, AT LEAST 14 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 14 DAYS PRIOR TO THE RECEIPT OF ANY CONSIDERATION, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

OUR WEBSITE—LOCALSLOVEUS.COM—HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AND COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV.

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

Item 3, Additional Disclosure:

Neither we nor any person described in Item 2 of the Disclosure Document is subject to any currently effective order of any National Securities Association or National Securities Exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq. suspending or expelling such persons from membership in such association or exchange.

Item 6, Additional Disclosure:

The highest interest rate allowed by law in California is 10% annually.

Item 17, Additional Disclosures:

The franchise agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The franchise agreement requires application of the laws of where your Business is located. This provision may not be enforceable under California law.

The franchise agreement requires binding arbitration. The arbitration will occur in Sioux Falls, South Dakota with the costs being borne by each respective party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

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

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

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

Franchise owners must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.

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.

Section 31512.1 Franchise Agreement Provisions Void as Contrary to Public Policy: Any provision of a franchise agreement, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
- (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
- (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
- (d) Violations of any provision of this division.

CALIFORNIA ADDENDUM TO LOCALS LOVE US FRANCHISE AGREEMENT

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the offering circular.

California Business and Professions Code sections 20000 through 20043 provides rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement requires binding arbitration. The arbitration will occur in Sioux Falls, South Dakota with the costs being borne by each respective party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The franchise agreement requires the application of the laws of where your Business is located. This provision may not be enforceable under California law.

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

OUR WEBSITE—LOCALSLOVEUS.COM—HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

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

Franchise owners must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse’s marital and personal assets at risk, perhaps including your house, if your franchise fails.

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.

Section 31512.1 Franchise Agreement Provisions Void as Contrary to Public Policy:
Any provision of a franchise agreement, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
- (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
- (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
- (d) Violations of any provision of this division.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

WE:	YOU:
 LOCALS LOVE US, LLC	 _____
By: _____	By: _____
Its: _____	Its: _____
Date: _____	Date: _____

EXHIBIT F
MANUAL TABLE OF CONTENTS

Section	Total Number of Pages Per Section
Section A: Introductions	13
Section B: Pre-Opening Procedures	19
Section C: Personnel	54
Section D: Campaign	14
Section E: Sales Procedures	50
Section F: Ad Design and Production	20
Section G: Office Procedures	8
Section H: Marketing and Advertising	20
Appendices	30

EXHIBIT G

LOCALS LOVE US LIST OF FRANCHISEES

(As of December 31, 2023)

Market	Contact	Phone	Address	City	State	ZIP
Quad Cities, IA/IL	Tim Shea	(563) 723-2066	102 E. Kimberly Road Suite I PMB #199	Davenport	IA	52806
Cedar Rapids, IA	Ryan Bell	(319) 333-4534	3581 Quarter Dale Ct. SE	Iowa City	IA	52240
Iowa City, IA	Ryan Bell	(319) 333-4534	3581 Quarter Dale Ct. SE	Iowa City	IA	52240
Shreveport, LA	Gary Adams	(615) 351-3120	302 Old Palmetto Rd.	Benton	LA	71006
Fargo, ND	Matt Oye	(218) 329-3505	4831 Abby Way	Moorhead	MN	56560
Sioux Falls, SD	Nate Henry	(605) 212-1965	605 Prairie View Cr.	Dell Rapids	SD	57022
Tyler, TX	Heath Campbell	(903) 780-2720	460 ACR 3009	Frankston	TX	75763
Longview, TX	Jed Zagst	(903) 399-5700	701 Pam Dr.	Tyler	TX	75703
Temple, TX	Matt Blackwell	(254) 640-1952	4300 West Waco Dr., Ste. B2-246	Waco	TX	76710
Waco, TX	Matt Blackwell	(254) 640-1952	4300 West Waco Dr., Ste. B2-246	Waco	TX	76710

The following is a list of Franchisees that have signed a Locals Love Us Franchise Agreement, but whose Business was not yet open as of December 31, 2023.

None.

The following is a list of franchisees who 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 has not communicated with us within 10 weeks of the issuance date of this Disclosure Document.

Market	Contact	Phone	City	State	ZIP
Shreveport, LA	Beau Miguez	(318) 306-9899	Bossier City	LA	71111

EXHIBIT H

STATE EFFECTIVE DATES AND RECEIPTS

State Effective Dates

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

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

State	Effective Date
California	Pending
South Dakota	March 18, 2024

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 Locals Operating Company, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale. Iowa and New York require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Locals Operating Company, 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on **Exhibit D**.

The name, principal business address and telephone number of each franchise seller offering the franchise: Director of Operations of Locals Operating Company at 412 South First Avenue, Sioux Falls, SD 57104, (605) 951-9123, and _____. [Any other franchise seller involved in a particular franchise transaction must be disclosed here before the Disclosure Document is given to the prospective franchisee.]

The franchisor is Locals Operating Company, LLC, located at 412 South First Avenue, Sioux Falls, SD 57104, telephone (605) 951-9123.

Issuance Date: March 6, 2024

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

I have received a Disclosure Document with an issue date of March 6, 2024 (see also the dates shown on the state effective dates page), that included the following Exhibits:

Exhibit A	Financial Statements	Exhibit E	State Specific Addenda
Exhibit B	Franchise Agreement	Exhibit F	Manual Table of Contents
Exhibit C	Sample Release	Exhibit G	List of Franchisees
Exhibit D	List of State Administrators & Agents for Service of Process	Exhibit H	State Effective Dates and Receipts

_____ Date	_____ Signature	_____ Printed Name
_____ Date	_____ Signature	_____ Printed Name

Please sign a copy of this receipt, date your signature, and keep it for your records.

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 Locals Operating Company, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale. Iowa and New York require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Locals Operating Company, 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on **Exhibit D**.

The name, principal business address and telephone number of each franchise seller offering the franchise: Director of Operations of Locals Operating Company, LLC, 412 South First Avenue, Sioux Falls, SD 57104, (605) 951-9123 , and _____. *[Any other franchise seller involved in a particular franchise transaction must be disclosed here before the Disclosure Document is given to the prospective franchisee.]*

The franchisor is Locals Operating Company, LLC, located at 221 412 South First Avenue, Sioux Falls, SD 57104, telephone (605) 951-9123.

Issuance Date: March 6, 2024

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

I have received a Disclosure Document with an issue date of March 6, 2024 (see also the dates shown on the state effective dates page), that included the following Exhibits:

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Exhibit D	List of State Administrators & Agents for Service of Process	Exhibit H	State Effective Dates and Receipts

_____ Date	_____ Signature	_____ Printed Name
_____ Date	_____ Signature	_____ Printed Name

Please sign a copy of this receipt, date your signature, and return it to Director of Operations, Locals Operating Company, LLC, 221 412 South First Avenue, Sioux Falls, SD 57104, telephone (605) 951-9123.

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