FRANCHISE DISCLOSURE DOCUMENT

LEADING EDGE MARKETING, INC., d/b/a
PROSOURCE WHOLESALE
A MISSOURI CORPORATION
4301 Earth City Expressway
St. Louis, Missouri 63045-1334
(314) 506-0000
www.prosourcewholesale.com

The Franchisee will operate a ProSource® Wholesale Showroom which will sell floorcoverings, kitchen and bath cabinets, vanities and countertops and related products primarily to the non-retail trade.

The total investment necessary to begin operation of a ProSource Wholesale Showroom is $~~910,216~~954,989 to $~~916,966~~971,189. This includes approximately $~~194,574~~180,731 that must be paid to the franchisor or affiliate.

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

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

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

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

ISSUANCE DATE: January ~~19, 2023~~12, 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 A.
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 for my business?	Item 21 or Exhibit B 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 ProSource 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.
What's it like to be a ProSource franchisee?	Item 20 or Exhibit A lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires You to resolve disputes with the franchisor by litigation only in St. Louis County, Missouri. Out-of-state litigation may force You to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Missouri than in Your own state.

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

3. **Sales Performance Required**. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted.

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

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

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EXHIBITS

A. List of Franchisees

B. Financial Statements – Attached as Exhibit B are the following financial statements regarding ProSource, which are contained within the unaudited interim and audited consolidated financial statements of its parent company, CCA Global Partners, Inc., for the periods ended ~~December 31, 2022~~ November 30, 2023 (unaudited), and September 30, ~~2022~~2023, September 30, ~~2021~~2022 and September 30, ~~2020~~2021.

C. Franchise Agreement and the following Exhibits:
- I. Description of Area
- II. Form of Confidentiality Agreement
- III. Form of Non-Compete Agreement
- IV. Unconditional Guaranty
- V. State Addendum to the Franchise Agreement, if any

D. State Franchise Regulators and Agent for Service of Process

E. Executed Guaranty of Performance

F. State Addenda to the Franchise Disclosure Document, if applicable

G. Sample Promissory Note and Release

H. ProSource Cooperative, Inc. Member Agreement

I. Certification

J. State Effective Dates

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

Leading Edge Marketing, Inc. is a Missouri corporation, and a wholly owned subsidiary of CCA Global Partners, Inc., a Delaware corporation. The principal business address of CCA Global Partners, Inc. and Leading Edge Marketing, Inc. is 4301 Earth City Expressway, St. Louis, Missouri 63045-1334. Leading Edge Marketing's agent for service of process in Your state, if any, is disclosed in Exhibit D.

Leading Edge Marketing, Inc. currently does business under its legal name "Leading Edge Marketing, Inc.," and the following other names: "ProSource®," "ProSource National," "ProSource Wholesale®," and "ProSource Wholesale Floorcoverings." To simplify the language in this Disclosure Document "ProSource," "our" or "us" means Leading Edge Marketing, Inc. d/b/a ProSource Wholesale, the Franchisor. "You" or "Your" means the person or entity and their owners who operate, or seek to operate, a ProSource Showroom as a Franchisee of our Franchise System (or the "ProSource Franchise System").

ProSource's Business and the Franchises Offered:

ProSource both develops the ProSource Franchise System and franchises the right to operate a ProSource Wholesale Showroom (a "ProSource Showroom" or "Showroom"). A ProSource Showroom is a showroom/store which caters primarily to the non-retail trade such as builders and contractors, interior decorators and designers, remodelers, floorcovering installers, kitchen and bath installers, owners and managers of rental properties, architects, other floor covering dealers, kitchen and bath dealers, and commercial end-users such as schools, restaurants, retail showrooms, office buildings, and other business and institutional users.

ProSource Showrooms operate on a "Members only" customer format ~~and limited Member/customer services~~ (the term "Member" or "Members" when used in this document shall refer to a Showroom's authorized customers).

ProSource was originally incorporated as PS Floorcoverings, Inc. in 1990, and in 1992, ProSource became known as Leading Edge Marketing, Inc.

In 1990, ProSource formed a franchisee's buying cooperative called ProSource Cooperative, Inc. ("ProSource Cooperative") for the benefit of its franchisees. ProSource is also in the business of providing management and consulting services to ProSource Cooperative.

Starting in 2010, ProSource rolled out kitchen and bath cabinets, vanities, countertops, faucets, sinks, backsplashes and related products and accessories ("Kitchen & Bath Products" or "K&B Products") to certain portions of the ProSource Franchise System, and to date, ~~138~~142 Showrooms sell K&B Products. As of the date of this Franchise Disclosure Document, all new franchisees are required to sell K&B Products, in addition to floorcoverings, in their ProSource Showrooms.

ProSource believes that all contractors, businesses and all other non-retail users of floorcoverings and K&B Products are potential customers for the products being sold by You. ProSource is not aware of any federal laws or regulations applicable generally to the floorcovering industry (other than the federal Lacey Act regarding illegally imported wood products, and the Textile Fiber Products Identification Act and the Wool Products Labeling Act regarding labeling requirements as applicable to the sale of floorcovering products) or the kitchen and bath product industry (related to cabinets, vanities and countertops) other than general laws and regulations applicable to businesses in general. As ProSource franchisees do not offer installation or delivery services, disclosure of regulations related to such installation or delivery services is not required.

You will have to compete with numerous other entities selling floorcoverings and/or K&B Products. Such competitors could include floorcovering stores; kitchen and bath stores; mobile floorcovering stores (e.g. vans); distributors; competitors that sell floorcoverings and/or K&B Products through the mail, by telephone, via the Internet and through media advertisements; "big box" home improvement and "do it yourself" retailers; lumberyards and construction materials suppliers, with both physical and online presences; some of whom have substantially larger stores than ProSource. Furthermore, such competitors will include ProSource's Affiliates as described below.

Prior Experience of ProSource and Affiliates:

ProSource has been in the business of selling ProSource franchises since 1991. As of the date of this Disclosure Document, 145 ProSource Showrooms are operating under franchise agreements with ProSource. In addition, ProSource operates through wholly owned subsidiaries three company-owned Showrooms in greater St. Louis, Missouri, two of which it acquired in 2006, located in Missouri, and one of which it opened in 2009 in Collinsville, Illinois. All ProSource franchises are located in the United States and Canada. ProSource offers franchises in Canada through its subsidiary LEMI (Canada) Inc. Except as described in this Disclosure Document, ProSource has not previously offered franchises in any other lines of business.

The members of CCA Global Partners, Inc. ("CCA") operate "Carpet One Floor & Home®" retail floorcovering stores throughout the United States, Canada, Australia, and New Zealand. Affiliates of ProSource also engage in other lines of business in the floor covering industry including the following formats and trade names: Flooring America®, International Design Guild®, and The Floor Trader®. Each of these affiliates could compete to a certain extent with Your Showroom. No affiliates of ProSource offer franchises in any line of business or provide products or services to ProSource franchisees.

ITEM 2. BUSINESS EXPERIENCE

Richard W. Bennet, III ~~–~~ Chief Executive Officer and Director - Mr. Bennet has been a Chief Executive Officer and Director of ProSource since 2012. ~~Since~~Beginning in 2008, Mr. Bennet has ~~been~~served as Co-Chief Executive Officer and Director of CCA, 4301 Earth City Expressway, St. Louis, Missouri 63045-1334~~,~~; in October 2022 he became the Chief Executive Officer of CCA and continues as Director.

Eric M. Bernstein – ~~Director;~~ President of CCA - Mr. ~~Bernstein became a Director of ProSource in January 2023. Mr.~~ Bernstein became President of CCA, 4301 Earth City Expressway, St. Louis, Missouri 63045-1334, in November 2021. Mr. Bernstein served as President of ProSource from January 2015 through November 2021. From 2008 to January 2015, Mr. Bernstein was Chief Operating Officer of ProSource.

Howard Brodsky ~~–~~ Director - Mr. Brodsky co-founded CCA in 1984 and served as its Co-Chief Executive Officer since 1984 until October of 2022. Mr. Brodsky has been a Director of CCA, 4301 Earth City Expressway, St. Louis, Missouri 63045-1334, since its inception in 1984. Mr. Brodsky has been a Director of ProSource since its inception in 1990 and served as its Co-Chief Executive Officer and Secretary from its inception until January 2023.

Richard M. Riezman – Director - Mr. Riezman has been a principal shareholder in the law firm of Riezman Berger, P.C., 7700 Bonhomme Avenue, 7th Floor, St. Louis, Missouri 63105, since 1974. Riezman Berger, P.C. serves as general counsel to ProSource. Mr. Riezman has been a director of ProSource since 1994.

Ken Weisbacher – Director - Mr. Weisbacher was President of Carpetland, Inc., 1050 Skillman Drive, Cincinnati, Ohio 45215, from 1982 through January 2018, when he sold the business. Mr. Weisbacher has been a director of ProSource since 2006.

Andrew P. Shulklapper~~:~~ – President of ProSource - Mr. Shulklapper has been President of ProSource since November 2021. Mr. Shulklapper served as Chief Operating Officer of ProSource from February 2015 through November 2021.

Rachel Walschleger~~-~~ – Chief Operating Officer – Ms. Walschleger has been Chief Operating Officer of ProSource since November 2021. Ms. Walschleger served as ProSource's Vice President of Field Business Consultants from November 2018 to November 2021. From February 2016 through November 2018, Ms. Walschleger was Vice President, Corporate Owned Showrooms for ProSource. From March 2014 to January 2016, Ms. Walschleger was Director of Sales for ProSource of the St. Louis market.

Thomas J. Hodges, Jr. – Vice President of Franchise Operations - Mr. Hodges has been ProSource's Vice President of Franchise Operations since December 2015. From June 2013 to December 2015, Mr. Hodges was Director of Franchise Operations for ProSource. From 2009 to June 2013, Mr. Hodges was ProSource's Director of Franchise Development.

Steve Sweeney~~-~~ – Vice President of Field Business Consultants. Mr. Sweeney has been Vice President of Field Business Consultants since November 2021. Mr. Sweeney served as ProSource's Vice President of Training and Sales Development from November, 2018 to November 2021. From October 2017 to November 2018, Mr. Sweeney was Vice President-Field Business Consultants for ProSource. ~~-~~From December 2012 to October 2017, Mr. Sweeney was Director of Training/Education for ProSource.

Bruce Burnett – Vice President of Franchise Development - Mr. Burnett has been ProSource's Vice President of Franchise Development since November, 2018. From 2013 to November 2018, Mr. Burnett was Director of Franchise Development for ProSource.

Eduardo Seuc – Franchise Development Specialist. Mr. Seuc joined ProSource as Franchise Development Specialist in March 2022. Prior employment includes sales positions at Lowe's Home Improvement from May 2021 to December 2021, Rockwool N.A. from February 2020 to June 2020 and as International Sales Manager at DAP Products from September 2005 to June 2019.

Christina Shekell – Vice President Marketing & Advertising. Ms. Shekell has been ProSource's Vice President of Marketing & Advertising since November 2021. From August 2018 to November 2021, Ms. Shekell served as ProSource's Director of Marketing. From July 2014 to August 2018, Ms. Shekell was ProSource's Marketing Manager. From October 2011 to July 2014, Ms. Shekell was a Marketing Specialist for ProSource.

Shane Riley – Vice President of Kitchen and Bath. Mr. Riley has served as Vice President of Kitchen and Bath since October 2014. Shane Riley has been with ProSource since 2003 and served in many roles including marketing, merchandising, training and national sales.

Deb Weis – Vice President of Business Initiatives. Ms. Weis has been ProSource's Vice President of Business Initiatives since November of 2021. From April 2017 to November 2021, Ms. Weis was Vice President of Marketing & Advertising for ProSource.

Neal A. Ross – Vice President of Product & Merchandising – Mr. Ross began his career with ProSource in August 2005 when he was hired as the Director of Merchandising and Brand Management. Mr. Ross acted in that role until he was promoted to Vice President of Product & Merchandising in October 2013.

Rick Puder – Vice President of Training. Mr. Puder has been ProSource's Vice President of Training since November, 2021. From June, 2018 to November, 2021, Mr. Puder was Director of Training and Education at ProSource.

ITEM 3. LITIGATION

The Maryland Division of Securities and ProSource entered into a Consent Order dated November 26, 2003 whereby the Maryland Securities Commissioner determined that ProSource violated the Maryland Franchise Law when it offered and sold a ProSource franchise in the state of Maryland during a period of time that the renewal of ProSource's state registration was pending but not yet effective. In its Consent Order, ProSource agreed to cease and desist from any future offers and sales of franchises in Maryland under such circumstances.

Other than the above described matter, 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 an initial franchise fee of $46,450. This initial franchise fee is non-refundable, except as provided below, and is payable as follows: (i) the sum of $34,450 is payable in a lump sum upon Your execution of the Franchise Agreement; and (ii) subject to credit approval, the balance of the initial franchise fee, $12,000, is payable in twelve equal monthly payments of $1,000 each, beginning the month following the month in which You open the ProSource Showroom. If You do not satisfy ProSource's credit requirements for payment of the initial franchise fee as provided in subparagraph (i) and (ii) above (and if that is the case You will be advised of same prior to signing the Franchise Agreement), the entire initial franchise fee is due in a lump sum upon Your execution of the Franchise Agreement. If you are approved for paying part of the initial franchise fee in installments, You may be required to sign additional documents including, without limitation, a promissory note to confirm the terms of payment. No interest is charged on installments paid when due. ProSource may charge You interest at the rate of the lower of 18% per annum or the maximum rate allowed by law on late payments calculated from the date due until payment in full is received.

The initial franchise fee is nonrefundable except that if You fail to obtain approval for a site within ~~120~~135 days of signing the Franchise Agreement, ProSource may terminate Your Franchise Agreement and ProSource will give You a refund of $10,500 of the initial franchise fee. The remaining amount of the initial franchise fee paid is nonrefundable. In all other circumstances, the initial franchise fee is nonrefundable. ProSource reserves the right to offer initial franchise fee discounts to its franchisees that qualify in accordance with its guidelines from time to time for such discounts**.** The initial term of the

ProSource Franchise Agreement will be 10 years. and is renewable for additional 10 year terms (see Section 9.2 of the Franchise Agreement).

In addition to payment of the franchise fee as described above, ProSource estimates that You will be required to pay (or You must commit to pay) $148,124134,281 to ProSource or an Affiliate for goods and services received from ProSource or an Affiliate of ProSource prior to the opening of Your StoreShowroom. This estimate includes certain costs for Furniture & Equipment ($23,26422,600), Merchandising Displays and Samples ($82,31669,102), Signage and Trade Dress/Graphics ($18,799834), and Systems ($23,745) and which costs are non-refundable, with the exception of a portion of the initial franchise fee as described above, and which are further described in Item 7.

ProSource reserves the right to change at any time the amount of fees it charges. ProSource reserves the right in its sole discretion based on all facts and circumstances to enter into agreements with an individual franchisee or group of franchisees that give the franchisee or group of franchisees special non-uniform terms that are not available to You, and which terms may be materially different than the terms stated in this Disclosure Document. For purposes of illustration of the immediately preceding sentence, ProSource may incentivize existing franchisees to purchase and open additional ProSource franchise(s) by offering special terms which could include a reduced initial franchise fee, reduced initial inventory requirements or other opening requirements, subsidized certain initial costs, etc. Further, for certain qualified candidates and as an incentive to purchase a new franchise, ProSource, in its discretion, may offer incentives in the form of fee reductions or credits in areas such as marketing or training.

ITEM 6. OTHER FEES

OTHER FEES

Note: This information applies to all items listed in the table below. All fees are imposed by and payable to ProSource, except some fees that are directed to third party suppliers, and the membership fee in ProSource Cooperative is paid to ProSource Cooperative. All fees shown below which are paid to ProSource are non-refundable. ProSource reserves the right to change at any time the amount of the fees it charges, provided that the royalty rate can only be changed at the time the franchise is renewed. See Items 8 and 9 for additional information. All other notes related to the table can be found at the end of the Item 6 Table.

Name of Fee	Amount	Due Date	Remarks
Royalty Fee (See Note 1 at end of this Table)	3% of Gross Sales. Minimum monthly royalty is $2,000	Monthly on 15th day of the next month, except as described in Note 1.	Gross Sales includes all amounts invoiced or otherwise charged by You for all goods and services sold by You and the value of all goods and merchandise received by You in trade for services or goods sold. Gross Sales includes both cash and credit sales regardless of collection but excludes sales and use taxes. Royalty is paid on Gross Sales, net of referral fees as described in the Confidential Operations Manual. Payment of Royalty Fees shall be made by electronic funds transfer or as otherwise directed by

Name of Fee	Amount	Due Date	Remarks
			ProSource from time to time.
Marketing	Exact amount for the Grand Opening Program will be determined by ProSource but will not exceed $30,000. ProSource is currently providing a $30,000 credit to be applied towards Your Grand Opening Program. The amount You will be required to spend on marketing for the balance of the first year of operation is a minimum of $25,400. Each year thereafter, ProSource will create a personalized marketing plan for You by analyzing local market opportunities across digital marketing channels in combination with the Showroom's historical and/or projected member and prospect activity. If You elect to have ProSource manage Your marketing, You must expend monies necessary to comply with such personalized marketing plan. The average annual expense for such personalized marketing plan for the ProSource System per Showroom for calendar year ~~2022~~2023 (for all Showrooms) was $35,~~457~~460 and the median was $36,~~833~~843.	Due when billed.	The Grand Opening Program includes the rental or build database approach of delivering qualified prospect leads to account managers and support items related to introducing ProSource to prospective new Members, which may include social media, paid digital media, direct mail materials, email materials, special events, call center assistance, public relations assistance, point of purchase efforts, and the production of collateral materials. You may spend additional amounts for marketing. This yearly amount is subject to change from time to time as may be provided in the Confidential Operations Manual and may differ depending on whether You or ProSource is managing Your marketing and advertising plan. (See Item 11 below for more information.)
Marketing Services Fee	$585 per month.	Due when billed.	Fee provides for creative and content development, marketing software licenses and usage fees, program management and Showroom reporting. This fee is subject to change as provided in the Confidential Operations Manual and is included in the calculation of Your total marketing expenses.
Local Showroom Pages Fee	$279 per month.	Due when billed.	Fee covers operational cost for the local content management, Search Engine Optimization, Directory Management and Reputation Management. This fee is subject to change as provided in the Confidential Operations Manual and is included in the calculation of Your total marketing expenses.
System Branding Fund	Not yet established. If implemented during the initial term of Your franchise Agreement, Your required contribution will not exceed 0.25% of Your Gross Sales.	Not yet established.	If implemented, ProSource will monitor the System Branding Fund. The System Branding Fund, if implemented, will be used to cover the costs of marketing and promotional activities, including, without limitation, direct mail campaigns, marketing by radio, television, magazine and newspapers, marketing surveys, website marketing, billboard marketing, marketing and participation in trade shows, public relations activities, employing marketing agencies, market research, production of

Name of Fee	Amount	Due Date	Remarks
			marketing material, media planning and placement, marketing personnel and any other costs associated with the development, marketing and testing of marketing and the purchasing of marketing time, space or materials in national, regional or other marketing media.
Cooperative Marketing Payments	Not yet established.	Not yet established.	ProSource may form one or more regional marketing cooperatives. Your regional marketing cooperative, if formed, will include as members any franchisees in Your region. You must participate in and pay pro rata in any marketing program approved by a majority of the franchisees in such cooperative. Any ProSource owned Showrooms will also participate in and pay pro rata in any cooperative marketing program formed in any such ProSource owned Showroom's region.
Digital Platforms Fee	Monthly fixed amount of $1,030 ($780 for each additional Showroom) plus a monthly variable amount as calculated below based on Your Gross Sales. There is no fee on the first $1.5 million in Gross Sales, then .25% of Gross Sales from $1.5 million up to $8 million, .2% of Gross Sales from $8 to $12 million and .15% of Gross Sales from $12 to $16 million and .10% of Gross Sales in excess of ~~$12~~16 million. This variable component of the Digital Platforms Fee is calculated annually each October by ProSource based on Gross Sales for the 12 month period ending the preceding August but payable monthly beginning the following January.	Due when billed.	This fee covers operational costs for the website, mobile applications and other national technology platforms developed or purchased for use by the ProSource Franchise System. It also covers software licensing fees and development costs for new features for the website and mobile app(s) and other national technology platforms developed or purchased for use by the ProSource Franchise System. This fee is subject to change as provided in the Confidential Operations Manual. ProSource is currently offering new Showrooms a 67% discount on the monthly fixed amount component of the Digital Platforms Fee (reduced to $339.90) for the first two years of operation or until the Showroom's sales exceed $1.5 Million over a 12 month period, whichever occurs first.
CRM Platform Fee	$249 per month.	Due when billed.	This fee covers operational costs and usage fees for the CRM platform (as further described in Item 11 below). This fee is subject to change as provided in the Confidential Operations Manual.
~~Marketing Services Fee~~	~~$585 per month.~~	~~Due when billed.~~	~~Fee provides for creative and content development, marketing software licenses and usage fees, program management and Showroom reporting. This fee is subject to change as provided in the Confidential Operations Manual and is included in the calculation of Your total marketing expenses.~~
~~Local~~	~~$279 per month.~~	~~Due when billed.~~	~~Fee covers operational cost for the local~~

Name of Fee	Amount	Due Date	Remarks
~~Showroom Pages Fee~~			~~content management, Search Engine Optimization, Directory Management and Reputation Management. This fee is subject to change as provided in the Confidential Operations Manual and is included in the calculation of Your total marketing expenses.~~
Site inspection fees	First site inspection is free. Visit to Showroom for grand opening is free.	Due when billed.	You must reimburse ProSource (at our discretion) for costs incurred in connection with ProSource's inspection of Your site (after the first inspection) and any subsequent visits for the purpose of verifying Your compliance with all of ProSource's standards and specifications.
Initial Training Fee (for new Franchisees)	Initial training ~~for first 6 persons~~provided at no charge~~.~~ during the first six (6) months after construction of Your new Showroom commences. ProSource requires the Principal, Your Showroom Manager, Account Managers, and Kitchen and Bath Designer to complete initial training prior to opening. For ~~additional trainees~~training after such first six (6) months, You must pay the then current fee ~~(plus travel and living expenses).~~.	Due in advance.	You pay the travel and living expenses, including lodging, transport, meals and compensation for all persons (both initial and additional trainees) trained by ProSource for You (See Item 11).
~~Additional~~Annual Training Fee (for all Franchisees)	~~Not to exceed $~~$450 per Showroom per month ($5,~~000~~400) per Showroom per year~~.~~) Up to $5,400 per year per required attendee. Also if ProSource requires its employees to remain at Your ~~Store~~Showroom until operating problems are resolved, You pay ProSource's costs for these employees plus their living and travel expenses. ProSource will give You an estimate of the cost before furnishing an employee to You.	Due when billed Due in advance of program or meeting	The Annual Training Fee of $5,400 will be charged monthly at $450 per month each year unless You notify ProSource in January of a calendar year that You will not participate in ProSource's training program for that year. The Annual Training Fee is subject to change as provided in the Confidential Operations Manual. If you later decide to participate in ProSource's training program or decide to participate in certain parts of the training program, You will be required to pay the then current a la carte fee, which may be more than the Annual Training Fee. You remain responsible for lodging, transportation, meals and compensation for attendees~~. Certain additional training classes will be mandatory and certain will be voluntary. If Your Market Share is below Base Market Share or the Kitchen & Bath portion of Your business is underperforming, ProSource may offer You special, intensive training for a fee. If offered, this would be mandatory, but shall not be counted as mandatory training as listed above, and the cost of which would not be~~

Name of Fee	Amount	Due Date	Remarks
			~~included in the calculation of the $5,000 annual cap.~~ where training involves travel.
Additional Training for Under-Performance	If Your Market Share is below Base Market Share or the Kitchen & Bath portion of Your business is underperforming, ProSource may offer You special, intensive training or mandatory training courses for a fee, as determined by ProSource.	Due in advance of program or meeting.	If ProSource requires its employees to remain at Your Showroom until operating problems are resolved, then in addition to the cost of such mandatory additional training, You will be required to pay ProSource's costs for these employees plus their living and travel expenses. ProSource will give You an estimate of the cost before furnishing an employee to You.
Conventions	The fee for attending the ProSource convention is tiered as follows: $699 First Attendee $649 Second Attendee $599 Attendees 3 and 4 $549 Attendees 5 and 6 $499 Attendees 7 and 8 $449 Attendees 9 and over. Additionally, ProSource holds an annual Regional Meeting for its franchisees and the fee for attending the Regional Meeting is currently $300 per person. You will be responsible for all costs incurred by You with respect to your attendance at each Convention and Regional Meeting, including travel, lodging and meals.	Due when billed.	You and Your Manager will be required to attend each ProSource Convention, and You will be required to attend each Regional Meeting for your region. ~~Fees paid for conventions and Regional Meetings do not count towards the $5,000 additional training cap.~~ Additionally, ProSource may hold sales conferences from time to time, which may be at an additional fee, but which are not currently mandatory.
Audit Fee	If underpayment of fees paid to ProSource is determined, cost of audit plus interest at lesser of 18% per annum or highest legal rate on underpayment. Also, You can be charged royalties and other fees at twice the amount paid by average franchisee if Your records are not adequate to calculate fees owed to ProSource.	Due when billed.	ProSource has the right to audit Your books upon seven days prior written notice. Normally ProSource pays for the audit. You pay audit costs only if an audit shows an under-statement of at least 2% of Gross Sales for any month, or You cause the audit to be rescheduled because You are not ready, or Your monthly sales report is more than 15 days late.
RFMS Computer Service Fee	$567-$927 per month based upon the number of users.	Due when billed.	This fee is currently paid to RFMS and is nonrefundable. ProSource reserves the right to require You to pay this support fee to another supplier or to ProSource if it elects to provide such service. This fee is set by RFMS (or other supplier) and is subject to change. This fee includes the B2B Software license fee and system hosting costs.
20/20 Yearly License Fee	$1,~~440~~540 per year, per license	Due when billed.	This fee is currently paid to ProSource. ProSource reserves the right to require You to pay this yearly license fee to another supplier in its discretion. This fee is subject to change if the third party provider raises its fees to ProSource. As of the date of this FDD, You will need only 1 license to open a

Name of Fee	Amount	Due Date	Remarks
			Showroom.
Gateway Software License Fee	$99 per month	Due when billed.	This fee is currently paid to ProSource. This fee is subject to change based on further development of such software.
On Going Sample Fees	Not to exceed $10,000 per year	Due when received.	ProSource will update displays and add new displays throughout the year. These programs and updated samples may vary in quantity and price from year to year.
Resale Support Fee	$4,000	Due when billed.	This fee is paid by You if You engage Prosource to provide certain resale support services to facilitate the sale/transfer of Your Showroom. (See Note 2.)
Franchise Transfer Fee (Note 2)	$10,000 ~~$46,450 plus~~ or such greater amount to cover ProSource's costs ~~and expenses~~ associated with the Transfer if transferee is an existing ProSource franchisee. $46,450 or such greater amount to cover ProSource's costs associated with the Transfer if transferee is not an existing ProSource franchisee.	Prior to consummation of transfer.	If it is $10,000 it is payable in full upon a transfer of Your franchise in accordance with Section 12.1 of Your Franchise Agreement. If it is $46,450 it is paid in the same manner that the initial franchise fee is paid.
Renewal Fee	$2,000 per renewal plus ProSource's costs and expenses incurred in connection with the renewal.	Prior to start of renewal term.	
Late Charge Fee	$50 per day for each day a Sales Report or Royalty payment or financial statement is late	Due when billed.	Applies to all payments or reports which You do not make on time
Interest	Lesser of 18% per annum or highest legal rate on late payments	Due when billed.	Applies to all payments to ProSource which You do not pay on time.
ProSource Cooperative Membership Fee (optional)	$2,499. In addition to the Membership Fee, You must pay a $1 subscription fee for one share of stock. Also, there is an administrative fee of $250 for each additional Showroom that You want to purchase products for through ProSource Cooperative, Inc.	Due when You join ProSource Cooperative.	Membership Fee and subscription fee applies only if You choose to join ProSource Cooperative - which is a buyer's cooperative. Upon termination and surrender of such one share of stock, You would receive a refund of the $1 subscription fee subject to offset for any amounts then owing to ProSource Cooperative, Inc. To join, You will be required to sign the Member Agreement, copy of which it attached as Exhibit H to this Franchise Disclosure Document.

NOTE 1: Your annual Gross Sales shall be determined based upon our fiscal year ending September 30th. Beginning with the first full calendar month after the Showroom opening, Your royalty rate will be 3% of Your Gross Sales ("Royalty Rate"). Each month You are required to submit sales reports to ProSource showing Your Gross Sales for the preceding calendar month. Based on the amount shown on these sales reports, and subject to the minimum royalty of $2,000 per month, You will pay your 3% royalty to ProSource as follows: (i) on the 15th day of each month You will pay 3% of Your Gross Sales attributable to the sale of non-floorcovering products for the previous month, and (ii)(a) on the 15th day of each month You will pay 2% of Your Gross Sales attributable to the sales of floorcovering products for

the previous month; and (b) after October 1 of each year, You will pay 1% of Your Gross Sales attributable to the sale of floorcovering products for the previous year (from October 1 through September 30) per an invoice You will receive from ProSource. ProSource reserves the right to offer a discounted Royalty Rate and/or a discounted minimum royalty to franchisees which qualify in accordance with the guidelines or policies for such discounts as may be determined by ProSource from time to time. Thus, the Royalty Rate paid by all franchisees may not be uniform. Examples of factors that may be considered in the determination of such discount guidelines or policies could include, but would not be limited to, the following: (i) if You are a shareholder of CCA; (ii) if You are a member in good standing of ProSource Cooperative; (iii) if You owned and operated a ProSource Showroom continuously since a date certain designated by ProSource; and/or (iv) such other factors as may be determined by ProSource from time to time. ~~Presently, ProSource offers a royalty discount if You or Your affiliate is an existing ProSource franchisee or is a shareholder of CCA.~~

~~NOTE 2:~~NOTE 2: If requested, and subject to payment of the fee, resale support services shall be provided to assist Franchisee with the sale of the Showroom. Prosource shall not provide legal advice and shall only be providing such services to facilitate the transfer in compliance with the Franchise Agreement and to ensure that any buyer is approved as a Franchisee and satisfies Prosource's then current criteria for a new franchisee. Among other preconditions of our approval for a proposed transfer of Your franchise, You or Your transferee must pay us the applicable transfer fee before the transfer is effective. If the Transferee is an existing ProSource Franchisee the transfer fee is $10,000 or such greater amount as is necessary to reimburse ProSource for its reasonable costs and expenses associated with reviewing the application for transfer, including without limitation, legal and accounting fees. If the transferee is not an existing ProSource Franchisee the transfer fee is $46,450 or such greater amount as is necessary to reimburse ProSource for its reasonable costs and expenses associated with reviewing the application for transfer, including without limitation, legal and accounting fees.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee	$46,450	Lump sum and monthly (subject to credit approval)	Upon signing Agreement and after Showroom opening	ProSource
Furniture & Equipment	$~~76,351~~74,205	Set by Supplier	Prior to and after Opening	Supplier and ProSource
Merchandising displays and Samples (See Note 1)	$~~99,816~~101,839	Set by Supplier	Prior to Opening	Supplier and ProSource
Signage and Trade Dress / Graphics	$10,634 - $18,~~799~~834	Lump Sum	Prior to Opening	ProSource
Systems (See Note 2)	$~~47,005~~46,295	Set by Supplier	Prior to Opening	Supplier and ProSource
Inventory (See Note 3)	$15,000	Set by Supplier	Upon Delivery	Suppliers
Remodel Expense (See Note 4)	$~~362,207~~429,183	Set by Supplier	Prior to Opening	Suppliers and Trades Person
Real Estate Lease (See Note 5)	$~~34~~38,500 - $~~41,250~~46,500	Set by Landlord	Set by Landlord	Landlord
Training (Your costs) (See Note 6)	$8,~~061~~220	Set by Supplier	Set by Supplier	Airlines, hotels, etc.
Additional Funds (3 months) (See Note 7)	$~~150~~116,000	Set by Supplier, ProSource, and Biweekly for wages	During three months following opening	Various suppliers and ProSource
Marketing (See Note 8)	$0	Multiple payments	Prior to Opening	ProSource
Wages and withholding (pre-opening)	$~~52,027~~69,213	Biweekly	Biweekly	Employees
Total (See Note 9)	~~$910,216 - $916,966~~$955,539 - $971,739			

NOTES:

As described in Item 5, part of Your initial franchise fee may be refundable. No other fees will be

refundable to You. ProSource may offer financing to You as described in Item 10. Additionally, subject to credit approval, a portion of the initial franchise fee is payable in installments as more fully described in Item 5.

(1) The cost listed for product samples can be reduced based on Your ability to negotiate with suppliers. ProSource is currently providing a $70,000 credit towards merchandising displays and samples purchased from us and this credit is reflected in the Item 7 table above.

(2) Systems include all hardware and software for computers, phones and ProSource's ProKey entry system. It also includes the RFMS software, including Mobile Order Entry, the 20-20 software and the Gateway software and training by the third party provider. These fees are an estimate only and are subject to change at the discretion of the vendor.

(3) ProSource will determine how much inventory You will need to open Your Showroom.

(4) Remodel Expense assumes You will lease a building in "vanilla box" condition with the following characteristics: (a) little to no demolition or removal of prior tenant's fixtures or improvements needed; (b) restrooms existing, code compliant, and only remodel needed; (c) building ADA compliant; (d) HVAC for 55% of building; (e) warehouse dock and /or drive up door existing; (f) sprinkler system in place and code compliant; and (g) display floors partially funded by vendors. ProSource anticipates that some remodeling expense will be borne initially by the landlord as tenant improvements and that if You are required to pay such expense under the lease, such expense will be amortized over the life of the lease. Such tenant improvements are based on many factors and vary greatly. ProSource estimates that tenant improvements average $50,000 and sometimes are in the form of free rent. Such average tenant improvements are reflected in the Item 7 table above.

(5) ProSource estimates that if Your ProSource Showroom premises are leased, the rent for such premises would be approximately $~~11,500~~12,833 to $~~13,750~~15,500 per month (which includes base rent, triple net costs (Your portion of insurance, taxes and common area maintenance costs), and the amortized portion of Your initial buildout costs). ProSource cannot estimate the rent and/or the purchase price of premises in which Your ProSource Showroom will be located in all locations because of the following variable requirements: (A) preferably, the Showroom would be located in an easily accessible, non-retail space such as in an industrial/office park in a city; (B) the size of the leased space should be a minimum of 10,000 square feet and up to 12,000 square feet (which includes areas of office, showroom display, warehouse and bathrooms); and (C) the leased space should be located near carpet, tile and wood distributors. The amount shown above in the table represents rent for 3 months (and assumes that You will not start paying rent until Your Showroom opens~~—~~.)

(6) ProSource will pay for training as described above in Item 6. You must pay for all meals, travel expenses and lodging. You, Your Showroom Manager, Your Account Managers and Your Kitchen and Bath Designer must attend initial training, all as set forth in Item 11 below.

(7) Additional Funds includes Your estimated expenses for operating the ProSource Showroom for the 3 months after opening; including wages and withholdings. The formula for calculating royalties is described in Item 6. The estimate for Additional Funds in this Table assumes that You make the minimum royalty payments for each of the first three months after Your Showroom opens.

(8) ProSource estimates that You will spend a maximum of $30,000 on the Grand Opening Program and a minimum of $25,400 during the remainder of the first year of operation on marketing expenses. The $30,000 estimate includes costs of various collateral materials. ProSource is currently providing a $30,000 credit to be applied towards Your Grand Opening Program and this credit is reflected

in the Item 7 table above.

(9) The total does not include amounts for loan payments in the event that You have borrowed funds to open the Showroom. These figures are estimates and ProSource cannot guarantee that Your expenses will not exceed these estimates or that You will not have additional expenses which are not listed here while starting the business. Your costs will depend on factors such as: how much You follow ProSource's methods and procedures; Your management skills, experiences and business acumen; local economic conditions; the local market for Your product; the prevailing wage rate; competition; and the sales level reached during the initial period. ProSource relied on its experience in operating the ProSource Franchise System when compiling these estimates, including the figure shown for "Additional Funds." You should review these figures carefully (with a business advisor if necessary) before making any decisions to purchase the franchise.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Interior Layout. The interior design, decoration and layout of Your Showroom must conform to written specifications that are supplied by ProSource. You must maintain and keep the interior premises of the Showroom in a clean, orderly, sanitary and safe condition. You must comply with any additional renovation or remodeling requirements as determined by ProSource.

Exterior of Showroom Premises. The exterior appearance of Your Showroom, including without limitation, signage, must conform to the written specifications issued by ProSource, if ProSource develops exterior specifications for ProSource Showrooms. You must maintain and keep the exterior premises, and surrounding areas, of the Showroom in a clean, orderly, sanitary and safe condition. You must comply with any additional renovation or remodeling requirements as determined by ProSource.

Business Forms. ProSource may require that You use business forms sold by ProSource or an approved supplier that are in a form approved by ProSource.

Interior Items. Certain interior items, including certain equipment, display racks, fixtures, modular counter system, a card key system ("ProKey"), samples and interior signs must be purchased from ProSource or other ProSource approved suppliers. ProSource is the only approved supplier for interior signs and printed materials for the ~~Member Acquisition Campaign~~Grand Opening Program.

Signage. All exterior and interior signs must be purchased from ProSource or ProSource approved suppliers and conform to the written specifications issued by ProSource.

Samples. Floorcovering products and K&B Products must be purchased from sources approved by ProSource. You will be required to display samples for certain brands of floorcoverings, K&B Products, and other related items, some of which may be "ProSource private label brands."

Inventory. Floorcovering products and K&B Products must be purchased from sources approved by ProSource. ProSource may establish mandatory product inventory that You must comply with in the operation of Your Showroom. If it is determined that You must carry a specified inventory in Your Showroom, You may be required to obtain ProSource's consent to carry items in Your Showroom that are not included in the inventory plan as mandated by ProSource from time to time.

Marketing. Certain marketing materials must be purchased from ProSource. The contents of advertisements and all other details concerning the frequency and type of marketing must be approved by ProSource. You must purchase a minimum amount of marketing each year -- see Item 6 concerning the

amount to be purchased.

Franchisee Buyer's Cooperative. You will be encouraged, but not required, to join ProSource Cooperative (the franchisee buyer's cooperative which was originally established by ProSource) in order to facilitate the purchase of Your floorcovering products and K&B Products. By purchasing through ProSource Cooperative, You will be able to access floorcovering products and K&B Products at a competitive price and You will be eligible to receive Your share of patronage dividends paid to ProSource Cooperative's members. You will be able to purchase certain private label proprietary products through ProSource Cooperative. Rebates are paid on certain products by manufacturers on products ordered by and through ProSource Cooperative. These rebates, net of any related expenses, and upon the approval by ProSource Cooperative's Board of Directors, will be distributed to the members of ProSource Cooperative as patronage dividends. ProSource Cooperative negotiates purchase arrangements and certain proprietary product features and specifications on behalf of its members. In order to join ProSource Cooperative, You must pay a $2,499 Membership Fee and a $1 subscription fee which entitles You to obtain one share of stock in ProSource Cooperative.

Additional Items. You shall purchase (i) all product sample display racks and samples, graphics, signs, marketing materials and fixtures directly from ProSource or from ProSource-approved sources; and (ii) products (which includes the type of product as well as specific styles of such product) as required to be offered for sale in the Showroom by ProSource from ProSource or ProSource-approved sources, including, but not limited to, all products which bear the "ProSource" proprietary marks. ProSource may designate certain products and specific product styles as "Core" products that are required to be offered for sale in the Showroom. Such products, styles and such designations will be described in the ProSource Confidential Operations Manual and updated from time to time or may otherwise be provided to You in writing from time to time. You are required to carry at least the following insurance, subject to and in accordance with those terms and requirements set forth in Section 10 of the Franchise Agreement: (i) comprehensive public liability and blanket contractual liability insurance, each with a minimum combined single limit of One Million Dollars ($1,000,000); (ii) owned and non-owned automobile liability insurance, each with a minimum combined single limit of Five Hundred Thousand Dollars ($500,000.00), (iii) extended coverage insurance in an amount equal to the market value of all signs and leasehold improvements, (iv) workers compensation insurance which complies with the workers compensation laws of the state in which Your ~~Store~~Showroom is located, (v) business interruption insurance in an amount as will reimburse You for loss of Gross Sales equal to 12 times the average monthly Gross Sales during the previous three month period immediately prior to the interruption, (vi) any other insurance which may be required by the state in which Your ~~Store~~Showroom is located, and (vii) any other insurance which may be required by ProSource from time to time as provided in the ProSource Confidential Operations Manual or as otherwise provided to You in writing. ProSource recommends You carry fidelity insurance on Your employees and cyber-security insurance.

Payments to ProSource on goods sold by ProSource to You are due on the date they are invoiced or on such other date as is permitted by ProSource. ProSource reserves the right to modify and amend the items which You are required to display and offer for sale or purchase from ProSource and/or a ProSource-approved source upon thirty (30) days prior notice.

Internet. You may not create a webpage, blog, social media page or profile (including without limitation a page or profile on a social media website such as Facebook, Instagram, TikTok, Twitter or Snapchat), a web video page (including but not limited to a YouTube channel), app, or any other public page for Your franchise on the internet ~~or World Wide Web~~ without the prior written approval of ProSource and if such approval is granted, then only in accordance with the guidelines listed in the ProSource Confidential Operations Manual or as otherwise provided to You. You may not use any Mark on the internet ~~or World Wide Web~~ or in a domain name or email address without ProSource's prior written consent. You must

comply with ProSource's internet policy(ies) as they now exist, or may be amended, as described in Section 7.7 of the Franchise Agreement.

ProSource reserves the right to sell products and services under the Marks and ProSource Franchise System through the internet on terms set by ProSource. ProSource may offer You the opportunity to participate in these internet sales. You must adhere to the pricing structure and negotiated terms established by ProSource in order to participate in these internet sales. You may refuse to adhere to the pricing structure and negotiated terms for internet sales, but if You so refuse, ProSource may not again offer the opportunity to participate in future internet sales.

Suppliers. A ProSource-approved supplier is a supplier that demonstrates to the continuing reasonable satisfaction of ProSource the ability to meet ProSource's reasonable standards, specifications and requirements regarding reputation, product quality, price, consistency, reliability, service, financial capability and customer relations. ProSource-approved suppliers deliver orders in a timely fashion and hold an adequate supply and quantity of items typically required by their customers. ProSource reserves the right to designate any supplier as the sole supplier for particular goods or services required to be provided by You or designate itself or an Affiliate as an approved supplier and to make a profit from the sale of such goods to You. ProSource will provide You from time to time with a list of required products and materials and a list of approved suppliers therefor. If You propose to use any product in lieu of a required product or a supplier not approved by ProSource for any such required product, You shall submit to ProSource specifications, photographs and other information and samples for examination and testing sufficient for ProSource to determine whether the item and its supplier meet ProSource's specifications, qualifications and standards. ProSource will respond to Your request for approval in writing within thirty (30) days after receiving such request and all accompanying materials as required by ProSource. ProSource's specifications and standards for suppliers, as well as ProSource's criteria for supplier approval are not issued to, or made available to, franchisees. Approval of suppliers requested by franchisees is made on a case by case basis by ProSource using its reasonable discretion and based on its business experience and its evaluation of the factors noted above with respect to such proposed supplier (reputation, product quality, price, consistency, reliability, service, financial capability and customer relations). You shall reimburse ProSource for the reasonable costs of any such investigation. ~~Approval of suppliers as requested by franchisees is made on a case by case basis by ProSource, using its reasonable discretion and based on its business experience.~~ ProSource may, from time to time, negotiate purchase arrangements with suppliers on behalf of its franchisees. ProSource Cooperative is an approved conduit or purchasing agent for products for sale. Unless You are instructed otherwise, all products available through CCA and ProSource Cooperative are automatically approved as are the suppliers of those products. There are no suppliers of which an officer of ProSource owns an interest.

As described in Item 11, You will be required to purchase certain Software from Resource and Financial Management Systems, Inc. ("RFMS") for use in the operation of Your Showroom. The terms of Your agreement with RFMS will be dependent upon Your discussions with RFMS. You will also be required to license certain Software through ProSource from 20-20 ~~Technologies~~Design / Cyncly ("20-20") as well as the Gateway software. The determination as to what computer hardware is necessary to operate the Software will be dependent upon your discussions with RFMS and the requirements of 20-20.

Certain suppliers to ProSource franchisees pay rebates and other consideration to ProSource on purchases made by franchisees. These rebates range from 0% to 6% of the price paid by the ProSource franchisee. These rebates are compensation paid to ProSource in consideration for ProSource performing various services for such suppliers including, without limitation, (i) promoting such products to the ProSource Franchise System, which may include marketing, incentive programs, sample programs or such other promotional programs in the form and to the extent ProSource determines appropriate; (ii) distributing to franchisees those product specifications, brochures or other materials provided by the supplier; (iii)

testing such products in pilot programs; and/or (iv) providing training for use of such products for the ProSource Franchise System. The extent to which ProSource provides the above-named services, if at all provided, shall be determined by ProSource based on its determination of the best interest of the ProSource Franchise System.

With respect to products sold by ProSource to You, ProSource will earn a profit equal to the amount, if any, by which the sale price exceeds the cost of producing or procuring the item. ProSource does not provide material benefits to You based on Your purchase of particular products or services, or use of particular suppliers, however as stated in Item 6, Note 1, ProSource may offer You a discounted royalty rate if offered by ProSource and You qualify under guidelines determined by ProSource. ProSource estimates that required purchases are approximately twenty percent (20%) of the cost to establish a Franchise, and less than one percent of total operating expenses thereafter. For the ~~2022~~2023 Fiscal Year, ProSource revenues from required purchases were $~~829,154~~724,596 which comprised approximately ~~2.12~~1.91% of total revenues of $~~39,028,712~~38,017,034. ProSource derives income from purchases made by franchisees through ProSource Cooperative by virtue of its management fee. ProSource Cooperative does not derive income from purchases made by You from ProSource. ProSource also will receive fees for the management and consulting services provided by ProSource to ProSource Cooperative. Such fees are based upon a percentage of the floorcovering and related manufacturer rebates received by ProSource Cooperative. ProSource estimates such management fees currently are substantially equal to management fees paid by other cooperatives offering similar services.

ProSource shall have no liability to You for any damages caused or alleged to be caused by any Showroom supplies, floorcovering products, K&B products or other goods or services purchased from or specified by ProSource. ProSource expressly disclaims any warranty, expressed or implied, as to any Showroom supplies, floorcovering products, K&B products or other goods purchased from or specified by ProSource, including but not limited to any warranty of merchantability or fitness for a particular purpose.

In determining the standards and specifications to be utilized in the ProSource Franchise System, ProSource has relied on its experience and business judgment, as well as the success of the particular standard or specification in the market. Franchisees and suppliers will be notified of any modifications or alterations to such specifications, as appropriate, as described in this Item 8 or in Item 11.

ITEM 9. FRANCHISEE'S OBLIGATIONS

This table lists Your principal obligations under the franchise and other agreements. It will help You find more detailed information about Your obligations in these agreements and in other items of this disclosure document.

Obligation		Franchise Agreement	Disclosure Document
a.	Site selection and acquisition/lease	Sections 2.1, 2.2	Item 11
b.	Pre-opening purchases/leases	Sections 5.10, 5.11, 5.21, 5.22, 5.23	Items 5. 6. 7 and 8
c.	Site development and other pre-opening requirements	Sections 2.1, 2.2, 3.1, 5.1	Items 6, 7 and 11

Obligation		Franchise Agreement	Disclosure Document
d.	Initial and ongoing training	Sections 4.1, 4.2, 4.3, 5.1, 5.2, 5.3, 5.4, 5.5, 6.1, 6.2, 6.3	Item 11
e.	Opening	Section 3.1	Item 11
f.	Fees	Sections 5.5, 5.10, 6.9, 7.3, 7.4, 7.6, 8.1, 8.2, 8.7	Items 5 and 6
g.	Compliance with standards and policies/Operating Manual	Sections 2.1, 2.2, 3.1, 4.4, 4.6, 5, 6, 18.1	Item 11
h.	Trademarks and proprietary information	Section 11	Items 13 and 14
i.	Restrictions on products/services offered	Sections 5.8, 5.22, 6.11	Item 16
j.	Warranty and customer service requirements	Not applicable.	Item 11
k.	Territorial development and sales quotas	Section 3	Item 12
l.	Ongoing product/service purchases	Sections 5.23	Item 8
m.	Maintenance, appearance and remodeling requirements	Sections 6.7, 9.2	Item 11
n.	Insurance	Section 10	Item 8
o.	Marketing	Section 7	Items 6, 8 and 11
p.	Indemnification	Section 5.15	Item 13
q.	Owner's participation, management, staffing	Sections 4.1, 4.3, 5.1-5.6, 5.18, 6.1	Items 11 and 15
r.	Records and reports	Sections 5.9, 6.12, 6.15	Item 6
s.	Inspections and audits	Section 6.17	Items 6 and 11
t.	Transfer	Section 12	Item 17
u.	Renewal	Section 9.2	Item 17
v.	Post-termination obligations	Sections 15, 16	Item 17
w.	Non-competition covenants	Section 16	Item 17
x.	Dispute resolution	Sections 18.2, 18.4, 18.5	Item 17
y.	Other	Not applicable.	

ITEM 10. FINANCING

For a limited time for certain qualified candidates as determined by ProSource, ProSource will, at its discretion, and subject to the prospective franchisee meeting certain creditworthiness standards (which may be more or less stringent than those credit worthiness standards for a qualifying franchisee candidate) offer financing for costs incurred in building out and developing a new ProSource Showroom. Subject to change from time to time as determined by ProSource in its discretion, as of the date of this Franchise Disclosure Document, and subject to special credit approval as specified in the immediately preceding sentence, ProSource is offering such financing only if You or Your affiliate is an existing ProSource franchisee or a shareholder of CCA. If offered, this financing will be on a reimbursement type basis, where the franchisee would pay the various vendors and suppliers for build out and development costs for the new Showroom and ProSource will reimburse the franchisee upon submission of proper documentation. The interest rate on such financing is fixed at the "Prime" rate of interest as published by The Wall Street Journal, and repayment terms are 60 months. There is no prepayment penalty. The first payment due date under the Promissory Note is due 45 days after the date the Showroom opens. Payment terms (interest rate, duration of note, and first due date) are subject to change. If You are offered this financing and You qualify for this financing, ProSource will contact You with the details of such financing at such time. If You do qualify and ProSource does offer You financing as described above and You do borrow money from ProSource, You will be required to sign a Promissory Note and a release, and Your Principals will be required to co-sign the Promissory Note, and sign a release in a form acceptable to ProSource as well as such other documents as required by ProSource. Sample forms of the Promissory Note and Release are attached as Exhibit G to this Franchise Disclosure Document. If You default on payment under the Promissory Note, the entire amount may be accelerated as due and owing, You will be required to pay attorneys' fees and costs of collection and the default can be considered a default under the Franchise Agreement. ProSource does not presently intend to sell, assign or discount to a third party such financing arrangement. ProSource makes no representation regarding the likelihood that financing will be offered or granted to You. ProSource may elect not to provide any financing at all to any qualified franchisees, or ProSource could provide some financing at its discretion to qualified franchisees and then cease any further financing. You understand that You should not purchase a ProSource franchise based on receiving this financing unless You have been specifically approved for such financing and been offered such financing by ProSource in writing before You purchase Your franchise.

Other than the limited discretionary financing described in the previous paragraph, ProSource does not offer any direct or indirect financing to You, except that a portion of Your initial franchise fee is payable in installments as follows: (i) the sum of $34,450.00 is payable in a lump sum upon Your execution of the Franchise Agreement; and (ii) subject to credit approval, the balance of the initial franchise fee, $12,000.00, is payable in twelve equal monthly payments of $1,000.00 each, beginning the month following the month in which You open the ProSource Showroom. If You qualify for paying the balance of the initial franchise fee in installments as specified above, ProSource does not currently require you to sign a promissory note with respect to your payment of the initial franchise fee, however, ProSource reserves the right to require You to sign additional documents including, without limitation, a promissory note to confirm the terms of payment in the future. No interest is charged on installments paid when due. ProSource may charge You interest at the rate of the lower of 18% per annum or the maximum rate allowed by law on late payments calculated from the date due until payment in full is received. ProSource does not require any security or collateral to secure this payment obligation. You may prepay this obligation at any time, without penalty.

ProSource does not guarantee Your note, lease or other obligations. ProSource has entered into an agreement with a third party provider which gives ProSource franchisees the opportunity to offer financing to such franchisee's customers. This financing arrangement is between the franchisee's customer and the third party lender, and not between ProSource and the franchisee.

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

Except as listed below, ProSource is not required to provide You with any assistance.

Pre-Opening Obligations. Before You open Your Showroom, ProSource will:

1. Designate a geographic area by zip codes for Your ProSource Franchise ("Area") (Section 2.1 of Franchise Agreement).

2. Inspect and approve Your site for the Showroom (Section 2.1 of Franchise Agreement). You select Your business site within Your Area subject to ProSource's approval. ~~As described in Section 2.1 of the Franchise Agreement, You must submit a Site Selection Kit to ProSource when seeking approval for a site.~~ ProSource will approve or disapprove a site within 45 days ~~after receiving a complete Site Selection Kit.~~of when all required information for a site is presented to ProSource. If ProSource disapproves a proposed site, You will not be allowed to use that site and must identify and submit ~~a Site Selection Kit for~~ an alternate site~~.~~ for consideration. You must have a site for the Showroom identified and approved by ProSource within ~~120~~135 days of signing Your Franchise Agreement. Your site must meet the minimum standards for a location as specified in the ProSource Confidential Operations Manual, as same may be amended from time to time. The location for a Franchise within a city should be an easily accessible, non-retail space such as an industrial park or office park. An industrial park location within a city is vital for two reasons: first, non-retail space is key to giving the Showroom a wholesale image; and second, the lower rents are needed in order to keep overhead costs low. In approving a site ProSource takes into account demographics, viability of site (visibility, traffic counts, size of site, lease rate), competition, potential for sales growth and marketing expense. In the event that You have not obtained ProSource's approval for a site within ~~120~~135 days of signing Your Franchise Agreement, ProSource may terminate the Franchise Agreement, and you will receive a refund of $10,500 of Your Initial Franchise Fee. ProSource shall keep the unrefunded portion of the Initial Franchise Fee.

3. Provide initial training for You as described below (Section 4.1 of Franchise Agreement).

4. ProSource may, but is not obligated to, establish a management and Showroom staff certification process for franchisees that will enable ProSource to certify employees of franchisees for various positions (Section 4.3 of Franchise Agreement).

5. Loan You the ProSource Confidential Operations Manual electronically via a secure intranet connection (Section 4.6 of Franchise Agreement).

6. Provide You with ~~Forms~~forms to assist You in record keeping of the operation of Your franchise (Section 4.7 of Franchise Agreement).

7. Provide You with such assistance and advice as ProSource determines in its reasonable discretion is appropriate regarding store layout, marketing and the installation of the equipment, furniture and fixtures necessary for the operation of a Showroom and the initial operations of the Franchise.

ProSource's obligations under this section may differ if You are opening Your second or subsequent ProSource Showroom (Section 4.5 of Franchise Agreement).

8. Provide specifications for the layout design, equipment, signage, colors, furniture, samples, fixtures and such other specifications as ProSource deems necessary to be utilized by You in the operation of the Showroom (Section 4.4 of Franchise Agreement).

9. ProSource may provide You with an inventory plan which describes certain mandatory requirements of products You must carry in Your inventory and various options. If provided, the plan will specify the products, styles and quantities to be maintained. You may be required to obtain ProSource's approval to include products in Your inventory that are not included in the requirements as described by ProSource (Section 5.23 of Franchise Agreement).

Ongoing Obligations. After You open Your business, ProSource will:

1. Provide at its discretion to You and Your employees refresher courses, update courses and special intensive training courses as ProSource deems necessary. (Sections 4.2 and 5.5 of Franchise Agreement)

2. Provide at its discretion, conventions, Regional Meetings, and sales conferences from time to time for the benefit of franchisees with educational programs, new products and/or such other matters ProSource believes is in the best interest of its franchisees. (Section 4.10 of Franchise Agreement)

3. Loan You any updates to the ProSource Confidential Operations Manual or provide You with access to view such updates to the Confidential Operations Manual via a secure intranet connection (Section 5.24 of Franchise Agreement).

4. Provide You with a list of required products and approved suppliers (Section 5.23 of Franchise Agreement).

5. Provide and establish on an ongoing basis the standards and specifications for the Franchise (Section 5.22 of Franchise Agreement).

6. Provide such assistance and advice as ProSource deems appropriate with regard to marketing, management and operation of the Franchise (Section 4.11 of Franchise Agreement).

7. Prepare for You annually a personalized marketing plan (Section 7.3 of Franchise Agreement).

8. Approve or disapprove any marketing materials provided by You (Sections 7.2 and 7.3 of Franchise Agreement).

9. Provide suggested ~~retail~~ prices to You which You are not obligated to use, but You must comply with any discounts for members/customers which ProSource determines to implement as part of any special national or regional marketing strategy, provided You have elected to participate in such special national or regional marketing strategy developed by ProSource. Furthermore, to the extent implemented by ProSource in the future as permitted by applicable law, You must comply with any maximum price levels established by ProSource for products purchased directly from ProSource or any ProSource designated suppliers. (Section 6.10 of Franchise Agreement).

10. Administer the System Branding Fund, if implemented (Section 7.4 of Franchise Agreement) as discussed below.

11. ProSource at its option may provide You with newsletters, bulletins and brochures regarding the Franchise, the ProSource Franchise System, additional or revised marketing and related materials or services (Section 4.9 of Franchise Agreement).

ProSource reserves the right to provide different levels of service to different franchisees in ProSource's sole discretion and without regard to any particular franchisee's success or lack of success, condition or operational needs. Furthermore, ProSource reserves the right in its discretion to provide a different level of service to a franchisee as it relates to that franchisee's purchase of a second (or subsequent number) franchise.

Advertising, Most of Your advertising will be executed through an integrated approach including digital media, direct marketing and social media. You will not use advertisements directed at the general public such as radio, television and newspaper advertisements. Most of Your marketing will be local, however, ProSource will direct a limited amount of ProSource Franchise System-wide marketing. Some marketing campaigns and materials may be prepared in-house by ProSource and other materials are prepared by outside marketing agencies under contract with ProSource. You may use Your own marketing material only if it has been approved by ProSource. Unless ProSource provides written approval of any submitted marketing materials within ten (10) business days after their submission, such materials shall be deemed to be not approved. You may not disseminate any advertisement to an end user customer ("end-user customer" is a person or entity that will use the floorcovering and/or K&B Product for such person/entity's own enjoyment and not resell such product) except if such advertisement is a co-branded message with a trade professional Member and such advertisement is pre-approved by ProSource.

You shall comply with all marketing and advertising policies specified in the ProSource Confidential Operations Manual, including without limitation, ProSource's email marketing policy as it currently exists and as it may be amended from time to time. You must maintain legal compliance with all applicable laws regarding the advertising and marketing of Your Showroom.

At the beginning of each calendar year, ProSource prepares a marketing plan for such calendar year for each Showroom. Such plan will be customized for each Showroom and includes all recommended marketing strategies, tactics and plan and costs for implementation of such plan. You will be presented with such marketing plan and You will have the option to accept such plan and agree for ProSource to implement on Your behalf. If You decide to accept such plan, You will pay the designated monthly marketing fee to ProSource upon receipt of a monthly invoice. If You do not agree to such a plan, You must submit to ProSource for approval a marketing plan for such calendar year. You agree to modify such plan as required by ProSource in order for such plan to be approved and once approved You shall implement such approved plan. The annual expenses for marketing are set forth in Item 6 above.

ProSource has developed a proprietary marketing system for its franchisees. Through this system, ProSource identifies and obtains leads or prospects for its franchisees and showrooms and updates and maintains this list of these leads or prospects in a database system (the "CRM Platform"). Upon payment of the CRM Platform Fee and subject to You being in compliance with the franchise agreement, ProSource will license to You the right to use leads or prospect names contained within the ProSource National Database that are located in Your Area in the marketing of Your ProSource Showroom in compliance with the franchise agreement.

As of the date of this Disclosure Document, there are no marketing or advertising cooperatives for ProSource in existence and there is no advertising or marketing council. Your Area may be located within

a larger marketing area in which other franchisees of ProSource and/or ProSource owned Showrooms are or will also be located. In these cases, ProSource may determine that all ProSource franchises sharing the same local marketing area as determined by ProSource should participate in market-wide cooperative marketing arrangements. If ProSource makes such a determination with respect to Your Area, Your participation will be mandatory. ProSource shall have the authority to set the terms of any such cooperative marketing arrangements, and to make changes to those arrangements from time to time as ProSource deems necessary, and You agree to participate in any such cooperative marketing arrangements as directed by ProSource, although ProSource agrees to permit the activities of the cooperative to be controlled locally in accordance with guidelines described in the ProSource Confidential Operations Manual. If the majority of franchisees in any such cooperative or other regional marketing group agree on a particular marketing piece or strategy, all franchisees within such area must participate and failure to do so shall constitute a default under the Franchise Agreement. In addition, if 60% or more of the franchisees in any such cooperative or other regional group agree to raise (but cannot lower) the minimum local marketing expenditures, all franchisees in such area must comply with the increased expenditure requirement and failure to do so shall constitute a default under the Franchise Agreement. If any cooperative marketing arrangement designated by ProSource covers an area in which one or more ProSource-owned Showrooms are located, ProSource-owned Showrooms will participate in the cooperative arrangement on the same basis as franchised stores located in the affected market area.

Franchisees are required to pay a Digital Platforms Fee which consists of a fixed component and a variable component. The fixed component is equal to $1,030 per month for one Showroom and an additional $780 per month for each additional Showroom. The monthly variable component is calculated based on Your Gross Sales and is specified in Item 6 above. As of the date of this Disclosure Document, ProSource is offering new Showrooms a 67% discount on the monthly fixed amount component of the Digital Marketing Fee (reduced to $339.30) for the first two years of operation or until the new Showroom's sales exceed $1.5 Million over a 12 month period, whichever occurs first. Further details on the Digital Platforms Fee can be found in Item 6 above.

ProSource reserves the right, at a future date, to implement and administer a System Branding Fund (the "Fund") on behalf of all franchisees. As of the date of this Disclosure Document, ProSource has not implemented the Fund. If implemented during Your initial franchise agreement term, the required monthly contributions will not exceed one-quarter of one percent (0.25%) of Gross Sales for the remainder of Your initial franchise agreement term. If implemented, the Fund will be maintained and administered by ProSource or its designee and ProSource will oversee all marketing and promotional programs and public relations with the sole discretion to approve or disapprove the concepts, materials and media used in such programs and the placement and allocation of these programs. In administering the Fund, ProSource will not act in a fiduciary capacity for You, and ProSource makes no promises to make expenditures out of the Fund which are equivalent or proportional to Your contribution to the Fund or to ensure that all franchisees benefit equally or pro rata from the marketing and promotion conducted by the Fund. You agree that the Fund could be used to cover the costs of marketing and promotional activities, including, without limitation, direct mail campaigns, marketing by radio, television, magazine and newspapers, marketing surveys, website marketing, billboard marketing, marketing and participation in trade shows, public relations activities, employing marketing agencies, market research, production of marketing material, media planning and placement, marketing personnel and any other costs associated with the development, marketing and testing of marketing and the purchasing of time, space or materials in national, regional or other marketing media. If implemented, the money contributed to the Fund will be maintained in a separate account from ProSource's other monies and shall not be used to cover any of ProSource's expenses, except for reasonable administrative costs (including salaries of marketing staff and those involved with marketing) and out of pocket costs of managing and administering the Fund. The Fund would be authorized to collect rebates from suppliers. To the extent that contributions to and earnings of the Fund during any year were not fully used, the excess would be carried forward and used

for Fund activities the following year. ProSource reserves the right to operate the Fund out of a separate entity. Contributions to the Fund would be due on or before the 15th day of the month immediately following the month to which such fees relate and would be required to be made by electronic funds transfer or as otherwise designated by ProSource. The operation of the Fund is subject to change as provided in the Confidential Operations Manual from time to time. If implemented, ProSource will have an internal accounting of the Fund prepared on an annual basis and made available to franchisees upon request. No dollars in the Fund would be used to solicit new franchisees.

Separate from and in addition to any required contribution to the Fund, during Your first year of operation, You are required to use advertising and marketing materials supplied or designated by ProSource in an amount designated by ProSource, which shall not exceed $30,000 for Your Grand Opening Program and a minimum of $25,400 thereafter during Your first year of operation. For purposes of this paragraph, Your "first year of operation" shall commence sixty days prior to the agreed date of opening and shall expire one year after actual opening. ProSource is currently providing a $30,000 credit to be applied towards Your Grand Opening Program.

Additional details concerning marketing are in Items 6, 8, 9 and 18.

Internet Policy. You must comply with ProSource's internet policy as it currently exists and as it may be amended from time to time. The current policy will be provided to You in the ProSource Confidential Operations Manual. This policy may include without limitation, procedures to be followed by You in requesting approval for a webpage, website, social media page, web video page, app, blog, or content thereon, as well as restrictions on content, linking, framing, metatags and other topics. You must agree that if ProSource incurs costs in reviewing, approving or monitoring Your requested material for approval for use in a webpage, website, social media or otherwise for the Internet ~~or World Wide Web~~, You will reimburse ProSource for these costs.

Software. ProSource has designated certain software to be used by You in the operation of the Franchise including software related to Your floorcovering sales ("RFMS Software") that must be licensed from ~~Resource and Financial Management Systems, Inc. ("RFMS")~~RFMS directly under an agreement with RFMS, software related to Your sale of K&B Products ("K&B Software") that must be licensed through ProSource from 20-20 ~~Technologies ("20-20")~~ and the Gateway software licensed from ProSource. The RFMS Software, K&B Software and the Gateway software and such other types of software required by ProSource are collectively referred to as the "Software." You must install and utilize the Software in the operation of the Franchise. You shall obtain the required hardware and specifications necessary to operate the Software. You shall be responsible for updating the Software as directed by ProSource or the licensor of the Software. ProSource disclaims any warranty, express or implied, as to the Software including but not limited to any warranty of merchantability or fitness for a particular purpose. You must further agree to license and use any additional software that ProSource provides or directs You to obtain in the future in connection with the operation of the franchise for the then current fee, if any. Such fees may include a component for installation, conversion, training, maintenance and licensing. You must agree to procure any additional hardware necessary to operate any such additional software. You may be required to license additional software (the license fee will be included in the monthly fees described above in Item 6) in connection with the Digital Platforms Fee~~.~~ and the CRM Platform Fees. You will be expected to utilize reasonable cyber security software (e.g. malware) in the operation of your business.

If requested by ProSource, You must enter into a support agreement with the designated support provider as specified in the ProSource Confidential Operations Manual. If ProSource provides on-site assistance to You, all travel, food and lodging expenses incurred by ProSource or ProSource's designated vendor shall be paid by You. You shall pay a monthly fee for Software upgrades, as determined by ProSource or the Software provider (or as designated by ProSource), to cover the cost of upgrades, updates, revisions

and new releases for the Software. Such fee for the RFMS Software is currently between $567 and $927 per month and is payable directly to RFMS based upon the number of users. This fee is set by RFMS and is subject to change. Such fee for the 20-20 Software is currently $1,~~440~~540 per year and is currently payable to ProSource. Such fee for the Gateway software is currently $99 per month payable to ProSource. Such fees are subject to change if the third party provider raises its fees to ProSource. Upon request but in no way to minimize Your obligations to provide requested information in timely manner in the required format as provided in this Agreement, You must agree to grant ProSource remote access via internet, third party connection or otherwise to Your computer system and the data contained in Your computer system for ProSource to review and download (but not alter) any information that You are required to submit to ProSource under the Franchise Agreement and in such event You shall dedicate the necessary equipment and services in order to allow 24 hour access by ProSource to such data. You must utilize all customer relationship management tool(s) in Your operation of the ProSource Showroom as required by ProSource as set forth in the Confidential Operations Manual; and You must utilize all business intelligence tool(s) or system(s) at Your cost in Your operation of the ProSource Showroom as required by ProSource as set forth in the Operations Manual. At present, ProSource requires franchisees to use the PALM customer relationship management tool, and the Compass business intelligence tool or system.

ProSource estimates the initial costs for Your software license and training fees to be $16,167 and the costs for computer hardware and installation to be $18,100. These figures are estimates only, and Your costs for the Software and the determination as to what computer hardware will be necessary to operate the Software will depend on Your discussions with RFMS and specifications from 20-20.

Manuals. ProSource shall provide to You manuals for equipment, supplies, sales, services, marketing, operations, standards and other matters related to the ProSource Showroom. (Section 4.6 of Franchise Agreement). Following is a copy of the current table of contents of our current ~~769~~668 page Operating Manual which shows the approximate number of pages devoted to each subject:

Table of Contents to Operating Manual*	**Number of Pages**
The ProSource Model	~~9~~11
Showroom Specifications	~~110~~112
Operations	199
Merchandising	20
Marketing	~~66~~68
Training	~~146~~145
Financial Reporting	~~8~~5
Kitchen & Bath	~~211~~108
Total	~~769~~668

* The Operating Manual can be found online on a secured password protected site, and it is revised from time to time. Page counts may be affected as individual sections are revised.

You must operate the Franchise in accordance with the standards, methods, practices, policies and

procedures specified in the Manuals. You must treat the Manuals as confidential. You shall not copy the Manuals or otherwise make them available to an unauthorized person. You agree to update the Manual as necessary upon receipt of any modification or changes to the Manuals from ProSource and to maintain the Confidential Operations Manual in a neat, organized and current condition. You must keep the Confidential Operations Manual in a secure place and limit access to the Confidential Operations Manual to only employees that need to know the information in the Confidential Operations Manual in order to fulfill their employment obligations.

The ProSource Confidential Operations Manual consists of many different components which are made available to franchisees by access to ProSource's secure website. ProSource may update the ProSource Confidential Operations Manuals from time to time by making changes to the ProSource Confidential Operations Manual and providing such changes on ProSource's secure intranet website and providing You with access to ProSource's secure intranet site, or by forwarding hard copies of such updates to You. You are required at all times to procure and maintain access to the internet at a high speed connection in compliance with the ProSource Confidential Operations Manual.

Opening. ProSource expects that the typical length of time between the earlier of (a) the signing of the Franchise Agreement by You or (b) the first payment of any consideration for the Franchise, and the opening of Your business is between six and twelve (6 and 12) months. The length of time can be affected by Your ability to obtain a suitable site, a lease thereon, financing and building permits, weather conditions, shortages of materials, construction delays and other factors. Under Section 3.1 of the Franchise Agreement, You are required to procure an approved site within ~~120~~135 days after the Franchise Agreement is signed, subject to reasonable extension if You demonstrate good faith efforts to locate an approved site, sign a lease within 60 days thereafter and open for business within ~~90~~170 days thereafter. If You fail to meet any of the time deadlines included in the preceding sentence, ProSource may terminate the Franchise Agreement on written notice to You**.** Section 2.1 of the Franchise Agreement provides the process for seeking approval from ProSource as to a potential site. You must submit a ~~Site Selection Kit (as defined in Section 2.1 of the Franchise Agreement)~~proposed site to ProSource when seeking approval of a site and ProSource has forty-five days to either approve or disapprove of the proposed site. ProSource has determined based on its experience in running the ProSource Franchise System that one of the biggest challenges for a new franchisee is finding a suitable, approved location within the required time frames specified above. ProSource strongly encourages new franchisees to promptly and diligently pursue finding a suitable, approved location for its Showroom.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
ProSource Business Concept & Philosophy	2	0	ProSource National Office
Showroom Standards and Specifications	2	0	ProSource National Office
Staffing a Showroom	2	0	ProSource National Office

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Standard Operations & Policy Procedures of Showroom	2	0	ProSource National Office
Marketing Programs	1	0	ProSource National Office
Software Operating System Procedures	2	0	ProSource National Office
Margin Strategies	2	0	ProSource National Office
Products Merchandising and Pricing Guidelines	3	0	ProSource National Office
Best Practices Selling Program	12	0	ProSource National Office
Kitchen & Bath Training	16	0	ProSource National Office
Palm Training	6	0	ProSource National Office
Prospecting & Mining	4	0	ProSource National Office
Member Engagement	4	0	ProSource National Office

Training will be offered at such times and at such locations as ProSource may determine from time to time. Presently, our initial training program consists of up to an eight day program at our training facility in St. Louis, Missouri, facilitated in 2 separate events, and covers all aspects of the operation of a Showroom. ProSource reserves the right to modify, expand, or contract the number of days and the subject matter of its initial training program. Initial training programs will include Showroom set up, sales, sales management, merchandising, marketing, leadership, reporting, and use of the Software, and must be successfully completed to ProSource's satisfaction.

The first event, Accelerate, is a ~~5~~4-day training workshop specifically for new owners, Showroom Managers, Account Managers and Kitchen and Bath Designers. Accelerate is currently offered ~~eight~~multiple times per year in groups of 5 to 30 people and You, Your Showroom Manager, Account Managers and Your Kitchen and Bath Designer are required to attend. A second event, DRIVE, includes a ~~3~~4 day workshop program for You and Your Showroom Manager to attend after six months of Showroom operation, which focuses on the strategic aspects of showroom management. These workshops are held ~~two~~three times per year.

ProSource has over ~~31~~32 years of experience in operating its training programs. The ProSource training programs are administered by a team of professionals that in addition to trainers include business department leaders, executives and support personnel from various departments in ProSource's operations. These professionals have been providing training to both new franchisees and existing franchisees for many years. The minimum experience of any of these professionals is 5 years with ProSource ~~is 6 years~~ and ~~25~~16 years in their specific area of expertise. ProSource's training programs are currently managed by Steve Sweeney, ProSource's Vice President of Field Business Consultants. Mr. Sweeney has been in charge of ProSource's training programs for over ~~9~~10 years.

For a period of six (6) months from the start of construction of Your new Showroom, ProSource will

provide the required initial training free of charge for ~~up to six of~~ Your employees, one of which must be You, the franchisee or its principal, unless You have already attended training, one of which must be Your Showroom Manager, one of which must be Your Kitchen and Bath Designer and the rest must be Your Account Managers. For each training program, You will be responsible for all expenses incurred by Your employees being trained including the cost of transportation, lodging, meals, and wages. You will also be responsible for the cost of additional training for such of those persons who do not successfully complete the initial training. Initial training is designed to provide sufficient operational knowledge for Your management level employees and to allow those persons to train Your other employees.

~~If you have acquired an existing ProSource Showroom, You will be required to attend our initial training program within six months of the acquisition date. Such initial training will be provided free of charge to You and any of Your employees within that six month time frame.~~

~~ProSource may periodically offer refresher courses, update courses and special intensive training courses as ProSource deems necessary upon such terms and conditions as ProSource may impose including but not limited to charging a fee for such training. ProSource will designate certain courses as optional and certain courses as mandatory. You agree to cause Your Showroom Manager, Your Account Managers and Your Kitchen and Bath Designer and such additional persons as required by ProSource to attend and successfully complete all mandatory training courses but not in excess of 2 mandatory courses each calendar year, provided that the cost of such mandatory training courses (excluding incidental costs of travel, lodging, meals, etc.) shall not exceed $5,000 per calendar year per Manager or other employee as required.~~

~~ProSource reserves the right to require Your employees and representatives to attend additional training courses and refresher courses in the future.~~ Required training must be successfully completed at least sixty (60) days before the Showroom opens, including the Kitchen and Bath Designer's training. Your Showroom Manager may not operate a Showroom until such person passes all training required by ProSource and receives the required certification(s) from ProSource. You may not open the Showroom for business until Your Account Managers and Kitchen and Bath Designer ~~passes~~pass all required training and ~~receives~~receive the required certifications(s) from ProSource. The Showroom Manager, Account Managers and the Showroom's Kitchen and Bath Designer must complete initial training (Section 4.1 of the Franchise Agreement). Each Showroom Manager will be required to complete an additional part of the training program to become certified to teach and train Your other non-managerial employees for working in the Showroom. You will be required to train Your non-managerial employees. You agree that such certification process is an ongoing process and ProSource reserves the right to re-certify Your Showroom Manager and/or Kitchen and Bath Designer on an annual or other periodic basis which may require Your Showroom Manager and/or Kitchen and Bath Designer to attend and successfully complete additional training as deemed necessary by ProSource to ensure that Your Showroom Manager and/or Kitchen and Bath Designer remains current on new technology for the ProSource Franchise System, if any, ~~new standards for the ProSource Franchise System and~~ any changes to the ProSource Franchise System and new standards for the ProSource Franchise System as developed by ProSource from time to time. Any new or replacement Showroom Manager or Kitchen and Bath Designer must successfully complete the initial training course within thirty (30) days of assuming the position. Each Showroom requires a full time Showroom Manager and a separate full time Kitchen and Bath Designer. If You own more than one Showroom, unless otherwise agreed in writing by ProSource, one Showroom Manager may not manage more than one Showroom. If You own more than one Showroom, unless otherwise agreed in writing by ProSource, one Kitchen and Bath Designer may not service more than one Showroom.

~~In addition, if Your market share is below the Base Market Share, ProSource may, but is not obligated to, offer You special, intensive training to help You increase Your market share for a fee. If offered, this~~

~~special training course would be mandatory and at Your sole cost but would not count as one of the two (2) mandatory courses listed above nor would the cost of this special training course count towards satisfaction of the $5,000 limit specified above. The preceding two sentences shall not constitute an obligation of ProSource to offer any such additional intensive training if Your market share is below the Base Market Share. Any such additional intensive training will be offered at ProSource's sole discretion and may be offered to some franchisees and not others based on the particular circumstances of any given situation.~~

~~In addition to required training, ProSource may offer optional training.~~ ProSource has developed a proprietary~~,~~ training system for its franchisees. The optional ProSource training system currently consists of different programs made available to You, Your Showroom Manager, Your Kitchen and Bath Designer and Your Account Managers. These programs differ in length and are held primarily in St. Louis. There is a prerequisite on-line training course to be completed prior to the St. Louis based training. At the beginning of each calendar year, ProSource may in its discretion modify the optional training programs offered to its franchisees. ~~The~~ available optional training programs will be presented to franchisees at the beginning of the calendar year and You will have the option of paying the ~~designated monthly fee~~Annual Training Fee for access to the entire training system or You will have the option of paying *a la carte* based on the specific training programs ~~you select. The fees payable for such optional training will count toward the annual cap on training set forth in Item 6 above.~~You select. If You choose to opt out of paying the Annual Training Fee for any year, You must notify ProSource in January of that year. You will remain responsible for paying all incidental costs of travel, lodging, meals, etc. for You and Your emp9loyees that attend any training. Currently the Annual Training Fee is $5,400 per Showroom per year, payable in monthly payments of $450 per Showroom per month, but is subject to change due to changes in market factors or changes in ProSource's cost to provide training.

Included in such annual fee may be refresher courses, update courses and special intensive training courses as ProSource deems necessary upon such terms and conditions as ProSource may impose. ProSource may designate certain courses as optional and certain courses as mandatory. You agree to cause Your Showroom Manager, Your Account Managers and Your Kitchen and Bath Designer and such additional persons as required by ProSource to attend and successfully complete all mandatory training courses.

ProSource reserves the right to require Your employees and representatives to attend additional training courses and refresher courses in the future.

In addition, if Your market share is below the Base Market Share, ProSource may, but is not obligated to, offer You special, intensive training to help You increase Your market share for a fee. If offered, this special training course would be mandatory and at Your sole cost but would not count as one of the two (2) mandatory courses listed above nor would the cost of this special training course count towards satisfaction of the $5,400 limit specified above. The preceding two sentences shall not constitute an obligation of ProSource to offer any such additional intensive training if Your market share is below the Base Market Share. Any such additional intensive training will be offered at ProSource's sole discretion and may be offered to some franchisees and not others based on the particular circumstances of any given situation.

As a continuing training requirement, You and Your Showroom Manager ~~and Your Kitchen and Bath Designer~~ must attend each ProSource convention (but no more than two in any one calendar year) during the term of this Agreement, and You and Your Showroom Manager will be required to attend ProSource's Regional Sales Meeting each year. Additional training may be required prior to the beginning of any renewal term of the Franchise Agreement.

Subject to the availability of ProSource's resources and staff, ProSource may perform an annual on-site quality review of the operation of Your Showroom. Such review may include an analysis of Your operation through a mystery shopper service, the cost of which shall be borne by you. If Your Quality Review score is substandard as defined in the Confidential Operations Manual, You shall pay for the costs incurred by ProSource in conducting such quality reviews, including travel, lodging, food and any other costs. You will cooperate with ProSource and grant access to the ProSource Showroom and its personnel as necessary. ProSource will provide You with a report on such review. ProSource reserves the right to expand, modify or discontinue such quality reviews as reflected in changes to the ProSource Confidential Operations Manual from time to time.

ProSource makes no representations or warranties of any kind that any of the above listed services will create a successful business operation for You or will not have a negative impact on Your business. You are solely responsible for the success of the Showroom and Your business operations. ProSource reserves the right to provide different levels of service to different franchisees based on various factors, including franchisee's level of experience within the ProSource Franchise System.

ITEM 12. TERRITORY

As described below, You will be assigned a protected Area in which You are granted the right to operate the ProSource Franchise. The Area is defined on Exhibit I to the Franchise Agreement and will be delineated by zip codes. Subject to the rights reserved by ProSource in the Franchise Agreement and as described below, and subject to other competition You may face from time to time as described below, Your rights to the Area will be exclusive. Your Showroom must be located within the Area at a location that must be approved by ProSource. Relocation of Your Showroom within the Area requires the approval of ProSource, and approval of Your relocation will be based on the same or similar types of conditions on which all new franchisees are evaluated during the application process.

Subject to certain rights that ProSource reserves in the Franchise Agreement as described below and provided You meet or exceed the Base Market Share, as explained below, no other ProSource Showroom will be located within the Area during the term of Your Franchise Agreement. ProSource is not obligated to monitor that no other franchisee conducts operations within Your Area.

ProSource reserves the right, regardless of proximity to, or competitive impact on, the Franchise, (i) to open and operate ProSource-owned ProSource Showrooms or grant to other franchisees the right to establish and operate ProSource Showrooms anywhere outside the Area; (ii) to develop, market and sell any product or service or own or operate any other business (which may be a similar business) under any trademark, service mark or trade name belonging to ProSource, or to which ProSource has rights, which may be similar to or the same as the Marks, outside the Area through one or more distribution channels including without limitation, distributors, franchisees, dealers, e-commerce through the internet, retail outlets, and catalog or mail-order business; (iii) to develop, market and sell any product or service or own or operate any other business, (which may be a similar business) under any trademark, service mark or trade name belonging to ProSource, or to which ProSource has rights, other than the Marks, inside the Area through one or more distribution channels including without limitation, distributors, dealers, franchisees, e-commerce through the internet, retail outlets, and catalog or mail-order business; (iv) if You fail to meet or exceed the Base Market Share as provided below, to exercise any or all of the rights reserved above in subparagraphs (i) and (ii) within the Area; and (v) to develop, market and sell products or services in a different market segment other than floorcovering and K&B Products and related products under any trademark, service mark or trade name belonging to ProSource, or to which ProSource has rights, which may be similar to or the same as the Marks, within the Area or outside the Area through one or more distribution channels including without limitation, distributors, franchisees, dealers, retail outlets, e-commerce through the Internet and catalog or mail-order business, on terms to be established by

ProSource (which may include without limitation different or additional royalty and marketing obligations, terms on territorial rights, and other terms and conditions suitable for such different market segment or industry), and provided that so long as You meet or exceed the Base Market Share and You are not then in default of Your obligations under the Franchise Agreement, You shall have a right of first refusal to participate in such different market segment product or service business on the terms determined by ProSource. You do not receive options, rights of first refusal or any similar rights to acquire additional franchises within the Area or in areas contiguous to, adjacent to, or otherwise near the Area.

ProSource may, now or in the future, sell floorcoverings and/or K&B Products by mail, over the internet and by telemarketing, which sales efforts may occur within Your Area, may compete with Your Showroom, and for which ProSource shall not be obligated to pay You any compensation. Affiliates of ProSource may, now or in the future, own, operate or franchise wholesale and/or retail floorcovering and/or K&B Product stores and sell floorcoverings and/or K&B Products by van, by mail, over the internet and by telemarketing, which sales efforts may occur within Your Area and may compete with Your Showroom. These sales by Affiliates of ProSource may be under a different trade name than the tradename used by ProSource. Additionally, ProSource or its Affiliates may continue to develop and acquire floorcovering and/or kitchen and bath concepts within the Area and may now or in the future engage in other businesses in the Area. You must acknowledge that ProSource's Affiliates, as they exist as of the date of execution of the Franchise Agreement and as they may thereafter exist, including without limitation, CCA Global Partners, Inc. d/b/a "Carpet One Floor & Home®" ("CCA"), FT Management Company d/b/a "The Floor Trader®", FA Management Enterprises, Inc., d/b/a "Flooring America®", "Flooring Canada®", and "America's Carpet Gallery®", "International Design Guild®", ~~Floor Expo, Inc.® d/b/a "Home Solutions", "Multi-Family Solutions", "KBx" and "K&B Alliance"~~ and Lighting One, LLC d/b/a "Lighting One®", may own, operate, establish, license or franchise wholesale and/or retail businesses within the Area or in close proximity to the Area (either presently or in the future) that sell floorcoverings, K&B Products or other products offered by a ProSource Showroom under a different tradename than the tradename used in the ProSource Franchise System and may compete with the Franchise. You must further acknowledge that ProSource and/or ProSource's Affiliates may continue to develop and acquire floorcovering and/or K&B Products concepts within the Area and that ProSource and/or other franchisees and/or ProSource's Affiliates may now or in the future engage in non-wholesale floor covering and/or K&B Product businesses or other businesses in the Area. ProSource reserves the right to make changes, improvements, deletions and/or additions to the ProSource Franchise System, including without limitation, to the products and services authorized under the ProSource Franchise System at any time without incurring any liability to You.

So long as Your market share meets or exceeds the Base Market Share, You shall retain Your protected Area subject to ProSource's rights regarding National Alliance Accounts (Section 1.4 of Franchise Agreement) and advertising (Section 7.8 of Franchise Agreement) and those rights specified in the preceding paragraph. "Base Market Share" is defined as four percent (4%) of the Flooring Potential in Your Area. Your market share is derived by comparing Your sales reported through the ProSource Franchise System to the "Flooring Potential" in Your Area. "Flooring Potential" is computed, by zip code, by a consultant to ProSource, Phillips & Associates, Inc. (the "Source") and updated as determined by ProSource. ProSource will determine Your market share on an annual basis as provided in the Franchise Agreement by dividing Your Gross Sales attributable to floorcovering products by the Flooring Potential for the Area as determined by the Source. Base Market Share is determined by using the Flooring Potential as calculated by the Source, as actual sales numbers are not readily obtainable. Information provided by the Source is based on, among other things, the U.S. Bureau of Labor Statistics Consumer Expenditures Survey. Subject to the next sentence, Your market share will be measured at the end of each calendar year and will be based on Your Gross Sales attributable to floorcovering products during such 12 month period. So long as Your Showroom has been in operation for at least 2 years, Your

market share may also be measured at the end of any calendar quarter throughout the calendar year by using Your Gross Sales through such period and extrapolating such amount for the full 12 month calendar year period. If the Source discontinues providing such analysis, becomes unreliable, outdated or otherwise deemed inaccurate or undependable by ProSource or for any other reason, You agree that ProSource may engage a different company to provide such information or change the methodology for determining Base Market Share and Your market share.

If You are a new franchisee, You will have a period of ~~36~~48 months from the opening of Your ProSource Showroom to reach the Base Market Share and You will retain your protected Area (subject to ProSource's rights regarding National Alliance Accounts (Section 1.4 of Franchise Agreement) and marketing (Section 7.8 of Franchise Agreement)) during such time even if Your market share is less than the Base Market Share so long as You remain in compliance with the Franchise Agreement and all other agreements between You and ProSource and/or any Affiliate. This grace period ends after ~~36~~48 months from the opening of Your ProSource Showroom and is not to be interpreted to extend to another full 12 months or another full calendar year after the expiration of the ~~36~~48 month period.

If ProSource determines that Your Gross Sales attributable to floorcovering sales do not equal or exceed the Base Market Share, ProSource will notify You of such determination and ProSource may then without further notice to You establish one or more ProSource Showrooms, either owned by another franchisee or directly by ProSource within the Area regardless of proximity to or economic impact on You. Your protected Area cannot be regained once it is lost. In order to implement ProSource's right to establish one or more ProSource Showrooms within the Area in such event, ProSource may redefine the Area by written notice to You for the purposes of permitting ProSource to define the initial protected area for the one or more new ProSource Showrooms that ProSource is permitted to establish either owned by ProSource or another franchisee.

As of September 30, 2023~~2022~~, there were 143 U.S. ProSource Showrooms open for business for over 2 years. Of those 143 Showrooms, 82 Showrooms had market share percentages equal to or greater than the Base Market Share and 61 Showrooms had market share percentages below the Base Market Share. The median market share for these Showrooms for ~~FY2022~~FY2023 was 4.86%.

Except when marketing jointly with other franchisees with ProSource approval, You cannot market or solicit orders within another franchisee's Area. You are restricted from advertising in the newspaper, on television or radio, or through any other mass or general public oriented method. You may advertise only through direct mail, telemarketing, internet and other specific direct or targeted methods. You cannot engage in e-commerce over the internet except as expressly permitted by ProSource in advance and in writing. You can accept an order from outside Your Area. ProSource and other franchisees can accept an order from within Your Area without special payment.

National Alliance Accounts. ProSource reserves the right to designate certain types and classes of customers as ~~national accounts~~National Alliance Accounts customers and negotiate terms for the sale of products and services to these customers. So long as You are not then in default of Your obligations under the Franchise Agreement, ProSource will first offer the opportunity to service these ~~national accounts~~National Alliance Accounts located in the Area to You. To participate in servicing ~~national account~~National Alliance Account customers, You must adhere to the pricing structure and negotiated terms established by ProSource from time to time for products and services provided to ~~national accounts~~National Alliance Accounts which may include, without limitation, the payment of certain fees and compliance with certain database and reporting requirements. If You decline to participate or if You refuse to provide products and services to ~~national accounts~~National Alliance Accounts under such pricing structure and on such negotiated terms, ProSource may not offer You the opportunity to service any other ~~national accounts~~National Alliance Accounts and may either service such ~~national~~

~~accounts~~National Alliance Accounts itself or offer such opportunity to other franchisees or to ProSource owned operations even if such ~~national account~~National Alliance Account customers are located within Your Area. If You refuse to service a ~~national account~~National Alliance Account customer, upon request from ProSource or from another franchisee servicing such ~~national account~~National Alliance Account customer, You shall permit any ~~national account~~National Alliance Account customer to have access to Your showroom to view products and to utilize Your Showroom for delivery purposes but such ~~national account~~National Alliance Account customer will not be considered Your "member." You must agree to cooperate with ProSource and other franchisees in servicing ~~national account~~National Alliance Account customers. You do not have the authority to establish any national account or corporate account customers on behalf of the ProSource Franchise System, and You shall not attempt to establish any such national or corporate accounts on behalf of the ProSource Franchise System.

ITEM 13. TRADEMARKS

ProSource will grant to all Franchisees a non-exclusive license to use certain of ProSource's tradenames, trademarks and service marks ("Marks") including the following tradenames, trademarks and service marks listed below in connection with the sale of certain floorcovering goods and services as authorized by ProSource.

The following trademarks have been registered (except as noted below) with the United States Patent and Trademark Office ("USPTO") on the following dates on the principal register (with the exception noted below) and have the following registration numbers:

Trademark	**Registration Date**	**Registration Number**
Avienda	1/22/13	4,280,874
Avienda	9/20/22	*6,849,572
Core Elements	9/17/13	4,403,981
DuraPoint	10/12/99	2,286,009
DuraWeave	11/30/93	1,808,526
Harding (for flooring)	5/13/14	*4,529,435
Home Pride	~~Filed 4/22/21~~6/13/23	~~App. No. 90/663630~~7,077,898
Innovia (for flooring)	8/9/16	*5,017,272
Innovia Xtreme Clean	5/2/17	*5,196,602
	~~Monument~~ ~~Filed 4/22/21~~	~~App. No. 90/663625~~
ProKey	9/15/92	1,716,785
ProShop Installation Essentials and Design	12/6/22	*6,919,984
ProSource	7/30/91	1,652,792
ProSource	1/24/95	1,875,343

Trademark	Registration Date	Registration Number
ProSource	7/24/12	4,180,073
ProSource and Design	3/10/92	1,678,921
Prosource Wholesale	5/29/18	*5,481,350
Prosource Wholesale	12/20/16	*5,106,664
Prosource Wholesale	6/5/18	*5,487,545
ProSource Wholesale and Design	Filed 11/12/18	App. No. 88/190254
ProSource Wholesale Products & Pros for Home & Commercial Projects and Design	Filed 11/12/18	App. No. 88/190260
ProTrade Credit	12/25/07	3,358,527
ProTrade Credit (oval design)	12/25/07	3,358,526
Resista	5/5/09	3,614,995
Resista	2/17/09	3,577,124
Resista (and Duck Design)	3/3/09	3,582,739
Resista (and Duck Design)	2/17/09	3,577,125
Resista Soft Style	11/26/13	*4,440,498
Somerset House	2/16/99	2,224,622
Tigressa	3/8/11	3,929,958

*These registrations are due for Declarations of Continued Use and Incontestability in ~~2023~~2024 or after. All other registrations on the above list have achieved incontestability. ProSource has filed, and expects to continue to file, Affidavits or Declarations of Continued Use and Incontestability and Renewal Applications with respect to the marks at the times said filings are due.

In addition, many of the Marks are registered in foreign jurisdictions including Canada.

There are no superior rights to these trademarks, service marks and tradenames known by ProSource which could materially affect the use of the same by a franchisee in any State in which a franchisee ProSource Showroom is to be located. These trademarks are not known by ProSource to be registered in any State in which the ProSource Showrooms are to be located. There are no presently effective determinations of the USPTO, the trademarks administrator of any state or any court, any pending interference, opposition, cancellation, proceeding or any pending material litigation involving the trademark, service mark, or tradename which are relevant to Your use of the marks. ProSource is not aware of any pending litigation involving the Marks. From time to time, ProSource files new trademark applications to enhance its trademark portfolio. These marks that have been applied for but have not yet

registered are identified in the table above by the App. No. reference. For those trademarks, we do not have a federal registration. For those specific marks, ProSource does not have as many of the legal benefits and rights as a federally registered trademark. If our right to use any of such trademarks is challenged, you may have to discontinue use of any such trademarks, which may increase your expenses.

There are no agreements currently in effect which significantly limit the right of ProSource to use or license the use of its trademarks, service marks and tradenames.

You must maintain the quality standards specified by ProSource in order to continue to use the Marks. ProSource licenses the right to use the following Marks from CCA: "Avienda" (App. No. 90/66368), "Core Elements", "DuraPoint", "DuraWeave", "Harding", "Home Pride", "Monument", the "ProSource Wholesale" marks, "Innovia", "Innovia Extreme Clean", "ProKey", "ProShop Installation Essentials", "ProTrade Credit," "Somerset House", "Tigressa" and each of the "Resista" marks. You may not use any trademarks, service marks or tradenames without the written consent of ProSource and any such use of such trademarks, service marks or tradenames shall be for the benefit of ProSource and all ownership of such trademarks, service marks or tradenames shall be by ProSource. You must follow ProSource's rules when You use these trademarks, service marks and trade names, which rules may be changed from time to time by ProSource. You cannot use a trademark as part of Your corporate or entity name without ProSource's written permission. You cannot use a trademark that is confusingly similar to the Marks. You must modify or discontinue use of a trademark if ProSource modifies or discontinues use of that mark. If ProSource determines that the ProSource System should use additional or substitute marks, You must comply with ProSource's direction. Your right to use the Marks does not permit You to license, re-license or sublicense the Marks, or any of them, or any mark that is confusingly similar to them. Through the use of the Marks or otherwise, You cannot directly or indirectly state or imply Your business is owned or operated by ProSource. The protection of ProSource's Marks and image is critically important to the success of the ProSource Franchise System. Accordingly, You shall not create a home page for Your Showroom on the internet ~~or world wide web~~ or other computer network without ProSource's prior written approval. You may not use any Mark on the internet or ~~world wide web or~~ in a domain name or email address without ProSource's prior written consent. You shall not authorize any other person to use any Mark on the internet ~~or world wide web~~ or in a domain name or email address or otherwise market, advertise or promote the Showroom without ProSource's prior written consent. You shall notify ProSource if You become aware of the use by any of Your members or contacts of any Mark on a website or on the internet.

Upon termination or expiration of the Franchise Agreement for any reason, You will immediately discontinue the use of ProSource's trademarks, service marks and tradenames and shall promptly dispose of, or at the option of ProSource deliver to ProSource, all materials including stationery, printed matter, signs and advertising materials containing trademark, service marks or tradenames as directed by ProSource. Upon the termination and/or expiration of the Franchise Agreement, You agree that Your interest in all signage and all other items bearing a trademark, service mark or tradename of ProSource is hereby assigned to ProSource.

ProSource has the sole right to assert claims of infringement of the Marks against any person or entity that uses the Marks without ProSource's permission or authority. You must notify ProSource immediately of any infringement or improper or unauthorized use of the Marks if and when You become aware of it, and ProSource may request Your cooperation and assistance in prosecuting such infringement(s).

ProSource shall defend and hold You harmless from and against any and all claims of trademark, service mark or tradename infringement for use of certain marks other than those arising by reason of Your act or inaction, provided that You promptly give written notice to ProSource of any such claim or suit and upon request, cooperate and assist ProSource in such defense. ProSource shall have the sole and complete

control and direction of any such legal action, including the settlement of any such legal action, without providing any notice to You, and ProSource shall bear all costs of defense of any such claim or suit.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or copyrights are material to the Franchise. ProSource does claim ownership of and all copyrights for all Manuals, Software and other written materials originating with ProSource. Your right to use such materials is governed by the Franchise Agreement. The Manuals and the information contained therein are trade secrets of ProSource.

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

While ProSource recommends that You, if the Franchisee is an individual, or one of Your principals, if the Franchisee is an entity, participate in the daily operation of Your ProSource Showroom, ProSource does not require that You personally supervise the franchised business. The business must be directly supervised "on-premises" by at least one full-time Showroom Manager and at least one full-time Kitchen and Bath Designer, who has successfully completed ProSource's training program. Neither the Showroom Manager nor the Kitchen and Bath Designer needs to be an owner of the business. If You have more than one franchise, each Showroom must have its own dedicated Showroom Manager and its own dedicated Kitchen and Bath Designer. The Showroom Manager and the Kitchen and Bath Designer are required to participate in any additional training that ProSource may require in the future. Based on its experience in running the ProSource Franchise System, ProSource believes that hiring a qualified, effective Showroom Manager to manage the operations of the Showroom is critical to the success of the franchised business. The Manager, and Kitchen and Bath Designer and other employees of Your Showroom must sign a written agreement to maintain the confidentiality of ProSource's confidential information. An example of a confidentiality agreement is attached as Exhibit II to the Franchise Agreement. Your ProSource Showroom must also employ full-time Account Managers as required in the Confidential Operations Manual. If the franchisee is a limited liability company, corporation or other entity, the individuals that own that entity (and their spouses, as applicable) are required to sign a Guaranty in the form of Exhibit III to the Franchise Agreement guaranteeing the entity's obligations to ProSource. If the franchisee is an entity that is owned by other entity(ies) or has affiliated entities, such owner entity(ies) or affiliated entity(ies) may, in ProSource's discretion, be required to enter into a guaranty in which such entity(ies) guaranty the franchisee entity's obligations to ProSource. In addition, the individual owners of an entity franchisee must sign the Addendum to the Franchise Agreement whereby they agree to be bound by the covenants on competition and confidentiality. See Item 17 for additional information. In addition, all persons owning an ownership interest in the Franchisee are required to complete and sign the Certification attached as Exhibit I to this Franchise Disclosure Document. In this Certification, each owner will be required to disclose his or her ownership interests in any retail or wholesale floor covering or kitchen & bath store or business (other than a ProSource Showroom).

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only sell floorcovering products such as carpet, pads, vinyl, ceramic, hardwood, area rugs and K&B Products such as kitchen cabinets, bath cabinets, vanities, countertops, faucets, sinks, backsplashes

and related products and accessories and such other products as may be approved by ProSource. You may not directly or indirectly sell any products or offer any services not authorized by ProSource. You will be required to have and to display those samples and interior signs and displays that ProSource requires that You have. There is no limit on ProSource's right to change the types of authorized goods and services. You will be required to offer for sale those products that are covered by ProSource's display materials. You may not advertise for or solicit customers from another franchisee's Area, except for participation in marketing programs approved by ProSource. ProSource must approve all of Your marketing, which will be directed only towards non-retail customers and not to "end users." "End user" is a person or entity that will use the product (or related product) for such person/entity's own enjoyment and does not include a person or entity that will use the product (or related product) for such person's/entity's business use or will resell such product. You are restricted from advertising in the newspaper, on television or radio, or through any other mass or general public oriented method. You may advertise only through direct mail, telemarketing, internet and other specific direct or targeted methods. You may not offer installation or delivery services, but may refer customers to persons or companies that do provide such services. See also the limitations described in Items 8, 9 and 12. ProSource further reserves the right to make changes, improvements, additions and/or deletions to the ProSource Franchise System, including to the products and services authorized under the ProSource Franchise System without incurring any liability to You.

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	Franchise Agreement	Summary
a.	Length of the franchise term	Section 9.1	10 years
b.	Renewal or extension of the term	Section 9.2	If You are in good standing You can add two additional terms each 10 years long (20 years max.)
c.	Requirements for You to renew or extend	Section 9.2	Notify, be in compliance with franchise agreement, timely sign new agreement the terms of which may differ materially from the agreement originally signed by You, complete training, pay fee and expenses, remodel and/or reequip, sign release and attain satisfactory quality review scores.
d.	Termination by You	Section 14.1	No right to terminate.
e.	Termination by ProSource without cause	None	No right to terminate without cause.
f.	Termination by ProSource with cause	Section 13	ProSource can terminate only if You default.

	Provision	Franchise Agreement	Summary
g.	"Cause" defined – curable defaults	Section 13.2	You have 10 days to cure monetary defaults and 30 days to cure any non-monetary defaults except for defaults listed in Section 13.4 of the Franchise Agreement.
h.	"Cause" defined – non-curable defaults	Section 13.4	Non-curable defaults: termination of real estate lease, on 2 or more occasions under reports Gross Sales by more than 2% or any one time by more than 5%, threat to public, breach of non-compete, no insurance, conviction of felony, premises closed for 3 or more consecutive days, bankruptcy, unapproved transfers, misuse of trademark, any false or misleading statement on franchise application, unauthorized use of the Marks or disclosure of Confidential Information.
i.	Your obligations on termination/non-renewal	Section 15.1	Obligations include complete de-identification and payment of amounts due, delivery of premises to ProSource if ProSource requests, delivery to ProSource of confidential information including customer lists, prospect list, supplier list, purchase information and software and any materials with trademark, cease use of Marks, assign phone numbers (also see r, below).
j.	Assignment of contract by ProSource	Section 12.5	No restriction on ProSource's right to assign.
k.	"Transfer" by You -- definition	Sections 12.1B, 12.2	Includes transfer of contract or ownership change, pledge and death.
l.	ProSource's approval of transfer by You	Section 12.1C	ProSource has the right to approve all transfers but will not unreasonably withhold approval.
m.	Conditions for ProSource approval of transfer	Section 12.1C	New franchisee qualifies, transfer fee paid, new franchisee assumes lease, You pay all moneys due to ProSource, release signed by You, current franchise agreement and related documents signed by new franchisee, operation of franchise not in default, transferee completes training, approval of material terms, waiver of exercise of right of first refusal, transferee to remodel / reequip (also see r, below).
n.	ProSource's right of first refusal to acquire Your business	Section 12.1E	ProSource can match any offer for Your business.
o.	ProSource's option to purchase Your business	None	

	Provision	Franchise Agreement	Summary
p.	Your death or disability	Section 12.1F	Franchise must be sold by estate within 6 months, in compliance with the provisions of the franchise agreement.
q.	Non-competition covenants during the term of the franchise	Section 16.1	No involvement in competing business within 25 mile radius of any current or prior ProSource Showroom, no solicitation of customers, no association with a competing franchise system, supplier or distributor of floorcovering products or K&B Products.
r.	Non-competition covenants after the franchise is terminated or expires	Section 16.1	No involvement in competing business for 12 months within 25 mile radius of any current or prior ProSource Showroom (including after assignment), no solicitation of customers.
s.	Modification of the agreement	Section 18.11	Modifications must be signed by both parties.
t.	Integration/merger clause	Section 18.11	Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of this Disclosure Document and the Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	None	
v.	Choice of forum	Section 18.2	Litigation must be in state or federal court in St. Louis County, Missouri (see Addendum to Franchise Agreement, if applicable) (subject to applicable state law).
w.	Choice of law	Section 18.2	Missouri law applies (see Addendum to Franchise Agreement, if applicable) (subject to applicable state law).

ITEM 18. PUBLIC FIGURES

ProSource does not currently plan to use any public figure or spokesperson to promote its franchise or the business of the franchisees.

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 actual records of an existing outlet You are considering buying; or (2) a franchisor supplements the

information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The ProSource Actual Sales Table is shown below. The ProSource Actual Sales Table presents the actual Gross Sales for all ProSource Comparable Showrooms (defined below) for each time period shown as well as other specified information. All ProSource-owned Showrooms (which include all Showrooms owned by ProSource and any affiliate of ProSource) are not included in the results specified in the table below. The ProSource Actual Sales Table sets forth in tabular form the Gross Sales for all Comparable Showrooms for each of the three preceding fiscal years. For purposes of the table below, "Gross Sales" is as defined in the Franchise Agreement, which means it includes the total sum of all amounts invoiced or otherwise charged by You for all goods and services sold by You, and the value of all goods and merchandise received by You in trade for services or goods and merchandise sold by You but not reflected in the amounts invoiced or charged by You. Gross Sales are reduced by the amount of all refunds, and do not include sales or use taxes or member referral fees.

Also included below is certain additional information which ProSource has calculated from the total actual Gross Sales figures and other information provided to ProSource by its franchisees. Please refer to the explanations set forth following the Table for the definitions of the terms used in the Table and certain additional information regarding the actual performance of ProSource Showrooms.

Beginning in the spring of 2013, all new Showrooms were required to sell K&B Products. Prior to the spring of 2013, the sale of K&B Products in new Showrooms was optional. Thus, there are now ~~12~~5 Showrooms reflected in the ProSource Actual Sales Table that do not sell K&B Products. Otherwise, the characteristics of the Showrooms used in the Financial Performance Representation below do not materially differ from the characteristics of a Showroom of a new franchisee.

Written substantiation of the data used in preparing the following table will be made available to any prospective franchisee upon reasonable request.

PROSOURCE ACTUAL SALES TABLE OF COMPARABLE SHOWROOMS

FY is October 1-September 30 Year indicated is the year the period ends.	**FY 2023~~2022~~** **(12 Months)**	**FY ~~2021~~2022** **(12 Months)**	**FY ~~2020~~2021** **(12 Months)**
TOTAL SALES OF COMPARABLE SHOWROOMS	$~~920,172,699~~908,033,928	$~~797,578,283~~920,207,727	$~~676,240,975~~797,578,283
NUMBER OF COMPARABLE SHOWROOMS	~~138~~139	~~137~~138	~~133~~137
AVERAGE ANNUAL SALES FOR COMPARABLE SHOWROOMS	$6,~~667,918~~532,618	$~~5,821,875~~6,668,172	$5,~~084,519~~821,739
MEDIAN SALES FOR COMPARABLE SHOWROOMS	$5,~~271,360~~027,745	$~~4,894,462~~5,271,360	$4,~~275,990~~894,462
AVERAGE GROSS MARGIN	~~31.8~~32.5%	31.~~9~~8%	31.~~5~~9%
MEDIAN GROSS MARGIN	32.~~0~~3%	32.~~1~~0%	~~31.8~~32.1%
AVERAGE TICKET PRICE	$2,~~305~~424	$~~1,933~~2,305	$1,~~786~~933
MEDIAN TICKET PRICE	$2,~~399~~562	$2,~~037~~399	$~~1,850~~2,037

AVERAGE ACCOUNT MANAGER SALES	$1,~~800,769~~777,152	$1,~~579,724~~800,769	$1,~~435,079~~579,724

Some Showrooms have sold these amounts. Your individual results may differ. There is no assurance that You will sell as much.

FY = ProSource's Fiscal Year (October 1 to September 30). The year noted after "FY" is the year in which the period ends. For example, "FY 2023~~2022~~" shall mean the period from October 1, ~~2021~~2022 to September 30, ~~2022~~2023.

50 Showrooms (36%) exceeded the Average Annual Sales for FY2023; 49 Showrooms (36%) exceeded the Average Annual Sales for FY2022; and 54 Showrooms (39%) exceeded the Average Annual Sales for FY2021~~; and 49 Showrooms (37%) exceeded the Average Annual Sales for FY2020~~.

Explanatory Information:

Information in this table for Gross Sales is provided to ProSource by its franchisees for franchisee owned Showrooms. Average Gross Margin, Average Ticket Price and Average Account Manager Sales are each calculated by ProSource based on information provided by franchisees for franchisee owned Showrooms.

TOTAL SALES OF COMPARABLE SHOWROOMS – shall mean the total Gross Sales of all Comparable Showrooms during the time period shown.

NUMBER OF COMPARABLE SHOWROOMS – shall mean the total number of ProSource Showrooms which were open as of the end of the time period shown and that were also open at the beginning of the time period. (For example, for a Showroom to be a Comparable Showroom for ~~FY2022~~FY2023, such Showroom had to be open from October 1, ~~2021~~2022 through September 30, ~~2022~~2023.) So long as a Showroom was open for such time period, transfers during said time period had no effect on whether a Showroom meets the definition of a Comparable Showroom.

AVERAGE ANNUAL SALES FOR COMPARABLE SHOWROOMS – shall mean the average Gross Sales for all Comparable Showrooms for the relevant time period. The amount shown was calculated by dividing the total Gross Sales for Comparable Showrooms for the relevant time period by the total number of Comparable Showrooms for the same period. For FY 2023 the high was $31,924,727 and the low was $1,020,914; For FY 2022 the high was $28,519,859 and the low was $1,089,587; ~~For~~and for FY 2021 the high was $21,482,513 and the low was $343,492~~; and for FY 2020 the high was $20,465,489 and the low was $656,790~~.

AVERAGE GROSS MARGIN – shall mean the amount calculated by subtracting Cost of Goods Sold from Gross Sales and dividing the result by Gross Sales resulting in Gross Margin being shown as a percentage of Gross Sales. In calculating Average Gross Margin, rebates received by a Showroom from ProSource Cooperative, Inc. are added to Gross Sales and payment discounts are subtracted from Cost of Goods Sold. The amount of payment discounts that are subtracted from Cost of Goods Sold is based on data from three St. Louis based ProSource owned Showrooms.

AVERAGE TICKET PRICE – shall mean the amount calculated when dividing Total Sales for Comparable Showrooms in the relevant period by the number of transactions for all Comparable Showrooms in the same period.

AVERAGE ACCOUNT MANAGER SALES – shall mean the average delivered line sales of assigned territory for any Account Manager who has at least 12 months of tenure with Franchisee in such position prior to the beginning of the applicable reporting period.

ProSource calculated Average Gross Margin, Average Ticket Price and Average Account Manager Sales from information received for 139 Showrooms for FY2023, 138 Showrooms for FY2022, and 137 Showrooms for FY 2021 ~~and 133 Showrooms for FY 2020~~, as shown in the table. ProSource owned Showrooms are not included in this table. 139 Showrooms constitutes 100% of all Comparable Showrooms for FY2023, 138 Showrooms constitutes 100% of all Comparable Showrooms for FY2022~~,~~ and 137 Showrooms constitutes 100% of all Comparable Showrooms for FY2021 ~~and 133 Showrooms constitutes 100% of all Comparable Showrooms for FY2020~~.

Other than the preceding financial performance representation, ProSource does not make any financial performance representations. ProSource also does not authorize its employees or representatives to make any such representations either orally or in writing. If You are purchasing an existing Showroom, however, ProSource may provide You with the actual records of that Showroom. If you receive any other financial performance information or projections of Your future income, You should report it to ProSource's management by contacting Mr. Andrew Shulklapper, 4301 Earth City Expressway, St. Louis, Missouri 63045-1334, (314) 506-0000, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. SHOWROOMS AND FRANCHISEE INFORMATION

Systemwide Showroom Summary for Years ~~2020~~2021 to 2023~~2022~~ (Table 1)

Showroom Type	Year	Showrooms at Start of Year	Showrooms at End of Year	Net Change
Franchised	2021~~2020~~	144	~~144~~146	~~0~~2
	~~2021~~2022	~~144~~146	146	~~2~~0
	~~2022~~2023	146	~~146~~145	~~0~~-1
Company-Owned	2021~~2020~~	3	3	0
	2022~~2021~~	3	3	0
	~~2022~~2023	3	3	0
Total Outlets	2021~~2020~~	147	~~147~~149	~~0~~2
	~~2021~~2022	~~147~~149	149	~~2~~0
	~~2022~~2023	149	~~149~~148	~~0~~-1

Calendar years noted above refer to ProSource's Fiscal Year (October 1 to September 30). The year noted is the year in which the period ends.
~~Calendar years noted above refer to ProSource's Fiscal Year (October 1 to September 30). The year noted is the year in which the period ends.~~ For example, "FY 2023~~2022~~" shall mean the period from October 1, ~~2021~~2022 to September 30, 2023~~2022~~.

"Company-Owned" Showrooms include Showrooms owned by ProSource, as well as Showrooms owned by affiliates of ProSource.

Transfers of Showrooms from Franchisees to New Owners (other than the Franchisor)
For Years ~~2020~~2021 to 2023~~2022~~ (Table 2)

State	Year	Number of Transfers
~~Florida~~	~~2020~~	~~0~~
Connecticut	2021	0
	2022	~~1~~0
~~Illinois~~	~~2020~~2023	~~0~~1
Florida	2021	~~0~~1
	2022	~~1~~0
~~Michigan~~	~~2020~~2023	1
Illinois	2021	0
	2022	~~0~~1
	2023	0
Pennsylvania	~~2020~~2021	~~0~~2
	~~2021~~	~~2~~
	2022	0
~~South Carolina~~	~~2020~~	~~1~~
	~~2021~~2023	0
	~~2022~~	~~0~~
Tennessee	2021~~2020~~	0
	~~2021~~	~~0~~
	2022	1
	2023	0
Virginia	2021~~2020~~	0
	~~2021~~	~~0~~
	2022	1
	2023	1
Washington	2021~~2020~~	~~0~~1
	~~2021~~	~~1~~
	2022	0
~~Total~~	~~2020~~2023	~~2~~1
Total	2021	3
	2022	4
	2023	4

~~Calendar years noted above refer to ProSource's Fiscal Year (October 1 to September 30). The year noted is the year in which the period ends.~~
Calendar years noted above refer to ProSource's Fiscal Year (October 1 to September 30). The year noted is the year in which the period ends. For example, "FY 2023~~2022~~" shall mean the period from October 1, 2022~~2021~~ to September 30, 2023~~2022~~.

Status of Franchised Showrooms
For Years ~~2020~~2021 to 2023~~2022~~ (Table 3)

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at End of Year
Alabama	2021~~2020~~	~~2~~3	~~1~~0	0	0	0	0	3
	2022~~2021~~	3	0	0	0	0	0	3
	~~2022~~2023	3	0	0	0	0	0	3
Arizona	2021~~2020~~	3	0	0	0	0	0	3
	2022~~2021~~	3	0	0	0	0	0	3
	~~2022~~2023	3	0	0	0	0	0	3
Arkansas	2021~~2020~~	2	0	0	0	0	0	2
	2022~~2021~~	2	0	0	0	0	0	2
	~~2022~~2023	2	0	0	0	0	0	2
California	2021~~2020~~	11	~~0~~1	0	0	0	0	~~11~~12
	~~2021~~2022	~~11~~12	~~1~~0	0	0	0	0	12
	~~2022~~2023	12	~~0~~1	0	0	0	0	~~12~~13
Colorado	2021~~2020~~	~~2~~3	~~1~~0	~~0~~1	0	0	0	~~3~~2
	2022~~2021~~	~~3~~2	0	~~1~~0	0	0	0	2
	~~2022~~2023	2	0	0	0	0	0	2
Connecticut	2021~~2020~~	3	0	0	0	0	0	3
	2022~~2021~~	3	0	0	0	0	0	3
	~~2022~~2023	3	0	0	0	0	0	3
Florida	2021~~2020~~	16	~~1~~0	~~1~~0	0	0	0	16
	2022~~2021~~	16	0	0	0	0	0	16
	~~2022~~2023	16	0	0	0	0	0	16
Georgia	2021~~2020~~	3	0	0	0	0	0	3
	2022~~2021~~	3	0	0	0	0	0	3
	~~2022~~2023	3	0	0	0	0	0	3
Hawaii	2021~~2020~~	1	0	0	0	0	0	1
	2022~~2021~~	1	0	0	0	0	0	1
	~~2022~~2023	1	0	0	0	0	0	1
Idaho	2021~~2020~~	1	0	0	0	0	0	1
	2022~~2021~~	1	0	0	0	0	0	1
	~~2022~~2023	1	0	0	0	0	0	1
Illinois	2021~~2020~~	5	0	0	0	0	0	5
	2022~~2021~~	5	0	0	0	0	0	5
	~~2022~~2023	5	0	0	0	0	~~0~~1	~~5~~4
Indiana	2021~~2020~~	4	0	0	0	0	0	4
	2022~~2021~~	4	0	0	0	0	0	4
	~~2022~~2023	4	0	0	0	0	0	4
Iowa	2021~~2020~~	2	0	0	0	0	0	2
	2022~~2021~~	2	0	0	0	0	0	2
	~~2022~~2023	2	0	0	0	0	0	2
Kansas	2021~~2020~~	2	0	0	0	0	0	2
	2022~~2021~~	2	0	0	0	0	0	2
	~~2022~~2023	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at End of Year
Kentucky	2021~~2020~~	2	0	0	0	0	0	2
	2022~~2021~~	2	0	0	0	0	0	2
	~~2022~~2023	2	0	0	0	0	0	2
Louisiana	2021~~2020~~	7	0	0	0	0	0	7
	2022~~2021~~	7	0	0	0	0	0	7
	~~2022~~2023	7	0	0	0	0	0	7
Maryland	2021~~2020~~	1	0	0	0	0	0	1
	2022~~2021~~	1	0	0	0	0	0	1
	~~2022~~2023	1	0	0	0	0	0	1
Massachusetts	2021~~2020~~	3	0	0	0	0	0	3
	2022~~2021~~	3	0	0	0	0	0	3
	~~2022~~2023	3	0	0	0	0	0	3
Michigan	2021~~2020~~	5	0	0	0	0	0	5
	2022~~2021~~	5	0	0	0	0	0	5
	~~2022~~2023	5	0	0	0	0	0	5
Minnesota	2021~~2020~~	3	0	0	0	0	0	3
	2022~~2021~~	3	0	0	0	0	0	3
	~~2022~~2023	3	0	0	0	0	0	3
Missouri	2021~~2020~~	1	~~0~~1	0	0	0	0	~~1~~2
	2022~~2021~~	~~1~~2	~~1~~0	0	0	0	0	2
	~~2022~~2023	2	~~1~~0	0	0	0	0	2
Mississippi	2021~~2020~~	1	0	0	0	0	0	1
	2022~~2021~~	1	0	0	0	0	0	1
	~~2022~~2023	1	0	0	0	0	0	1
Montana	2021~~2020~~	1	0	0	0	0	0	1
	2022~~2021~~	1	0	0	0	0	0	1
	~~2022~~2023	1	0	0	0	0	0	1
Nebraska	2021~~2020~~	1	0	0	0	0	0	1
	2022~~2021~~	1	0	0	0	0	0	1
	~~2022~~2023	1	0	0	0	0	0	1
Nevada	2021~~2020~~	2	0	0	0	0	0	2
	2022~~2021~~	2	0	0	0	0	0	2
	~~2022~~2023	2	0	0	0	0	0	2
New Jersey	2021~~2020~~	1	0	0	0	0	0	1
	2022~~2021~~	1	0	0	0	0	0	1
	~~2022~~2023	1	0	0	0	0	0	1
New Mexico	2021~~2020~~	1	0	0	0	0	0	1
	2022~~2021~~	1	0	0	0	0	0	1
	~~2022~~2023	1	0	0	0	0	0	1
New York	2021~~2020~~	6	0	0	0	0	0	6
	2022~~2021~~	6	0	0	0	0	0	6
	~~2022~~2023	6	0	0	0	0	0	6
North Carolina	2021~~2020~~	2	0	0	0	0	0	2
	2022~~2021~~	2	0	0	0	0	0	2
	~~2022~~2023	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at End of Year
Ohio	2021~~2020~~	8	0	0	0	0	0	8
	2022~~2021~~	8	0	0	0	0	0	8
	2023~~2022~~	8	0	0	0	0	0	8
Oklahoma	2021~~2020~~	3	0	0	0	0	0	3
	2022~~2021~~	3	0	0	0	0	0	3
	~~2022~~2023	3	0	0	0	0	0	3
Pennsylvania	2021~~2020~~	8	0	0	0	0	0	8
	2022~~2021~~	8	0	0	0	0	0	8
	~~2022~~2023	8	0	0	0	0	0	8
South Carolina	2021~~2020~~	2	0	0	0	0	0	2
	2022~~2021~~	2	0	0	0	0	0	2
	~~2022~~2023	2	0	0	0	0	0	2
Tennessee	2021~~2020~~	2	0	0	0	0	0	2
	2022~~2021~~	2	~~0~~1	0	0	0	0	~~2~~3
	~~2022~~2023	~~2~~3	~~1~~0	0	0	0	0	3
Texas	2021~~2020~~	~~12~~11	~~0~~1	~~1~~0	0	0	0	~~11~~12
	2022~~2021~~	~~11~~12	~~1~~0	0	0	0	0	12
	~~2022~~2023	12	0	0	0	0	0	12
Utah	2021~~2020~~	1	0	0	0	0	0	1
	2022~~2021~~	1	0	0	0	0	0	1
	~~2022~~2023	1	0	0	0	0	0	1
Virginia	2021~~2020~~	6	0	0	0	0	0	6
	2022~~2021~~	6	0	0	0	0	0	6
	~~2022~~2023	6	0	0	0	0	0	6
Washington	~~2020~~2021	2	0	0	0	0	0	2
	2022~~2021~~	2	0	0	0	0	0	2
	~~2022~~2023	2	0	0	0	0	0	2
Wisconsin	2021~~2020~~	3	0	0	0	0	0	3
	2022~~2021~~	3	0	0	0	0	0	3
	~~2022~~2023	3	0	0	0	0	~~0~~1	~~3~~2
Total	2021~~2020~~	~~141~~142	3	~~2~~1	0	0	0	~~142~~144
	2022~~2021~~	~~142~~144	~~3~~1	~~1~~0	0	0	0	~~144~~145
	~~2022~~2023	~~144~~145	1	0	0	0	~~0~~2	~~145~~144
Canada	2021~~2020~~	~~3~~2	0	0	~~1~~0	0	0	2
	2022~~2021~~	2	0	~~0~~1	0	0	0	~~2~~1
	~~2022~~2023	~~2~~1	0	~~1~~0	0	0	0	1

Calendar years noted above refer to ProSource's Fiscal Year (October 1 to September 30). The year noted is the year in which the period ends. ~~Calendar years noted above refer to ProSource's Fiscal Year (October 1 to September 30). The year noted is the year in which the period ends.~~ For example, "FY ~~2022~~2023" shall mean the period from October 1, 2022~~2021~~ to September 30, ~~2022~~2023.

Status of Company Owned Outlets

~~Status of Company Owned Outlets~~

For Years ~~2020~~2021 to ~~2022~~2023 (Table 4)

State	Year	Showrooms at Start of Year	Showrooms Opened	Showrooms Reacquired from Franchisees	Showrooms Closed	Showrooms Sold to Franchisees	Showrooms at End of Year
Illinois	~~2020~~2021	1	0	0	0	0	1
	2022~~202~~1	1	0	0	0	0	1
	~~2022~~2023	1	0	0	0	0	1
Missouri	~~2020~~2021	2	0	0	0	0	2
	2022~~202~~1	2	0	0	0	0	2
	~~2022~~2023	2	0	0	0	0	2
Totals	~~2020~~2021	3	0	0	0	0	3
	2022~~202~~1	3	0	0	0	0	3
	~~2022~~2023	3	0	0	0	0	3

~~Calendar years noted above refer to ProSource's Fiscal Year (October 1 to September 30). The year noted is the year in which the period ends.~~ Calendar years noted above refer to ProSource's Fiscal Year (October 1 to September 30). The year noted is the year in which the period ends. For example, "FY ~~2022~~2023" shall mean the period from October 1, ~~2021~~2022 to September 30, ~~2022~~2023.

"Company-Owned" Showrooms include Showrooms owned by ProSource, as well as Showrooms owned by affiliates of ProSource.

Projected Openings As of October 1, ~~2022~~2023 (Table 5)

State	Franchise Agreements Signed But Showroom Not Opened	Projected New Franchised Showrooms in Next Fiscal Year	Projected New Company-Owned Showrooms in Next Fiscal Year
Arizona	1	0	0
California	2	~~2~~0	0
Colorado	2	0	0
Florida	1	0	0
Missouri	0	~~1~~0	~~0~~1
Texas	~~0~~2	~~1~~2	0
Washington	1	0	0
Wisconsin	0	1	0
Total	~~6~~9	3	1

Calendar years noted above refer to ProSource's Fiscal Year (October 1 to September 30). The year noted is the year in which the period ends. For example, "FY ~~2022~~2023" shall mean the period from October 1, 2022~~2021~~ to September 30, ~~2022~~2023.

NOTE 1: The names, locations and other information pertaining to the franchised locations listed above, including the names, locations and other information of those franchisees which have ceased to do business under a ProSource franchise agreement or had a Showroom terminated, cancelled or not renewed within the last ten weeks can be found on Exhibit A. If You buy this franchise, Your contact information may be disclosed to other buyers when You leave the ProSource Franchise System. ProSource has not required its franchisees to sign a confidentiality agreement within the last three years. As of the date of this Disclosure Document, there are no trademark-specific franchisee organizations associated with the ProSource Franchise System.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit B are the following financial statements regarding ProSource, which are contained within the unaudited interim and audited consolidated financial statements of its parent company, CCA Global Partners, Inc. for the periods ended ~~December 31, 2022~~ November 30, 2023 (unaudited) and September 30, ~~2022~~2023, September 30, 2022~~2021~~ and September 30, ~~2020~~2021.

CCA guarantees the obligations of ProSource under the terms of the ProSource Franchise Agreement. An executed copy of CCA's Guaranty of Performance is attached as Exhibit E.

NOTE 1: THE ATTACHED UNAUDITED FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT AUDITOR HAS AUDITED THE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM OF SUCH UNAUDITED FINANCIAL STATEMENTS.

ITEM 22. CONTRACTS

Exhibit C is the standard ProSource Franchise Agreement and attached to it are Exhibits:

I. Description of Area;
II. Confidentiality Agreement;
III. Non-Compete Agreement;
IV. Unconditional Guaranty; and
V. State required Addendum to the Franchise Agreement, if any.

ITEM 23. RECEIPTS

Attached as the final page of this Franchise Disclosure Document is a detachable Acknowledgment of Receipt to be signed by You and returned to ProSource at the address shown therein.

NOTICE: ATTACHED AS EXHIBIT F ARE THE STATE ADDENDA WHICH CONTAIN ALL INFORMATION THAT IS REQUIRED TO BE DISCLOSED BY STATE FRANCHISE REGULATORY AUTHORITIES, WHICH IS IN ADDITION TO THE INFORMATION REQUIRED TO BE DISCLOSED GENERALLY BY STATE FRANCHISE REGULATORY

AUTHORITIES, OR WHICH MODIFIES THE TERMS OF THE FRANCHISE AGREEMENT. IF THERE IS NOT A STATE ADDENDA FOR YOUR STATE, THEN YOUR STATE DOES NOT REQUIRE ANY SUCH ADDITIONAL DISCLOSURE.

Exhibit A
LEADING EDGE MARKETING d/b/a/ ProSource
LIST OF FRANCHISEES
as of September 30, 2023

Current Franchisees - US Showrooms

Showroom	Address	City	State	Zip	Phone	Fax	Owner
ProSource of Huntsville	147-D Westchester Road	Huntsville	AL	35758	256-325-1630		Don Roberts
ProSource of Mobile	3761 Joy Springs Drive	Mobile	AL	36693	251-660-6690	251-660-6694	Daniel Kennedy
ProSource of Birmingham	197 Chandalar Place Drive	Pelham	AL	35124	205-624-4764	205-624-4768	Melissa Pancner
ProSource of Little Rock	7201 Innerplan Drive	North Little Rock	AR	72113	501-758-0801	501-758-0807	Marshall Chamberlin
ProSource of Northwest Arkansas	2301 N 17th Street	Rogers	AR	72756	479-372-6490	479-372-6455	Philip D Kennedy
ProSource of Phoenix	20802 N. 19th Ave.	Phoenix	AZ	85027	623-434-3100	623-434-3251	Jeffrey Clark
ProSource of Tempe	4545 E Broadway Ste 100	Phoenix	AZ	85040	480-420-2553	480-420-2560	Jeffrey Clark
ProSource of Tucson	2425 North Huachuca, Ste 151	Tucson	AZ	85745	520-624-7788	520-624-7884	Jeffrey Clark
ProSource of Concord	1340 Galaxy Way, Ste L	Concord	CA	94520	925-609-9448	925-609-7723	David Fuerst
ProSource of Orange County	1672 McGaw Avenue	Irvine	CA	92614	949-491-1220	949-491-1324	David Fuerst
ProSource of North Hollywood	12625 Sherman Way	N. Hollywood	CA	91605	818-764-3944	818-764-5011	David Fuerst
ProSource of the Inland Empire	4237 E Airport Drive	Ontario	CA	91761	909-931-1778	909-931-1780	David Fuerst
ProSource of Oxnard	701 Del Norte Blvd., Ste 225	Oxnard	CA	93030	805-983-1314	805-983-6434	Scott Wening
ProSource of North Orange Co	193 W. Orangethorpe Avenue	Placentia	CA	92870	714-773-9331	714-773-9355	David Fuerst
ProSource of Sacramento	11265 Sunco Drive, Ste 100	Rancho Cordova	CA	95742	916-638-2100	916-638-8801	Dan Pinnell
ProSource of Salinas	6 Rossi Circle, Ste F	Salinas	CA	93907	831-757-5700	831-755-1949	Cindy Moore
ProSource of San Diego	6730 Top Gun Street	San Diego	CA	92121	858-566-8100	858-566-8400	David Fuerst
ProSource of San Luis Obispo	3510 South Broad Street	San Luis Obispo	CA	93401	805-781-2657	805-541-3762	Cheryl Talbott
ProSource of Santa Rosa	1100 Piner Road #3	Santa Rosa	CA	95403	707-573-9117	707-573-9996	Scott Carston
ProSource of San Diego North	1070 La Mirada Court	Vista	CA	92081	760-477-1780	760-477-1785	David Fuerst
ProSource of Murrieta	24305 Prielipp Road, Suite 102-103	Wildomar	CA	92595	951-704-7045		Scott Webb
ProSource of Colorado Springs	3109 North El Paso Street	Colorado Springs	CO	80907	719-471-4749	719-471-4818	John Hughes
ProSource of Northern Colorado	500 71st Street	Loveland	CO	80538	970-612-8100	970-612-8101	Doug Finch
ProSource of Hartford	218 Murphy Road	Hartford	CT	06114	860-527-3567	860-541-0280	Thomas Fasoldt
ProSource of Milford	320 Quarry Road	Milford	CT	06460	203-877-3464	203-877-9709	Thomas Fasoldt
ProSource of Stamford	25 Harborview Avenue	Stamford	CT	06902	203-602-0607	203-602-0612	Jaz Kahlon
ProSource of Daytona Beach	1039 Mason Avenue	Daytona Beach	FL	32117	386-252-2229	386-252-6629	Steven Katzenberg
ProSource of Fort Myers	12020 Metro Parkway	Fort Myers	FL	33966	239-939-2121	239-939-1202	John Taylor
ProSource of Port Richey	10929 State Road 52	Hudson	FL	34669	727-379-9700	727-379-9799	Lynn Skelton
ProSource of Jacksonville	5250 Sunbeam Road	Jacksonville	FL	32257	904-288-5688	904-288-6466	Joshua Carr
ProSource of Lakeland	3526 DMG Drive	Lakeland	FL	33811	863-333-0680	863-333-0685	Steven Katzenberg
ProSource of Pinellas County	12397 Belcher Road, Ste 260	Largo	FL	33773	727-545-9935	727-545-3130	Joshua Carr
ProSource of Brevard	5095 Industry Drive	Melbourne	FL	32940	321-254-1488	321-254-1408	George Roman
ProSource of Naples	4753 N Tamiani Trail	Naples	FL	34103	239-331-2120	239-331-7442	John Taylor
ProSource of Ocala	1604 SW 17th Street	Ocala	FL	34471	352-462-2444		Steven Katzenberg

Exhibit A
LEADING EDGE MARKETING d/b/a/ ProSource
LIST OF FRANCHISEES
as of September 30, 2023

Current Franchisees - US Showrooms

Showroom	Address	City	State	Zip	Phone	Fax	Owner
ProSource of Orlando	4426 North Orange Blossom Trail	Orlando	FL	32804	407-293-2969	407-293-2477	Joshua Carr
ProSource of Pensacola	33 Brent Lane, Ste 107	Pensacola	FL	32503	850-434-8744	850-438-1484	Melissa Pancner
ProSource of Pompano	2002 West Atlantic Boulevard	Pompano Beach	FL	33069	954-590-2121	954-590-2161	John Taylor
ProSource of Sarasota	8159 25th Court East	Sarasota	FL	34243	941-358-1600	941-358-1625	Tom Brewer
ProSource of Tampa	8009 Anderson Road	Tampa	FL	33634	813-888-7699	813-885-7170	Tom Brewer
ProSource of Vero Beach	1605 90th Avenue	Vero Beach	FL	32966	772-299-7266	772-299-7209	Kathie Caprilla
ProSource of Palm Beach	7479 Central Industrial Drive	W Palm Beach	FL	33404	561-848-2221	561-848-1902	Tom Brewer
ProSource of Marietta	2260 Northwest Parkway, SE	Marietta	GA	30067	770-612-9996	770-612-9997	Sandy Mishkin
ProSource of Atlanta	3000 Miller Court West	Norcross	GA	30071	770-416-8000	770-416-9254	Sandy Mishkin
ProSource of Savannah	167 Knowlton Way, Ste 115	Savannah	GA	31407	912-965-9099	912-965-9096	Jody Offstein
ProSource of Honolulu	4577 Bougainville Drive, Ste 202	Honolulu	HI	96818	808-423-1500	808-423-0929	David Arita
ProSource of Davenport	5346 Belle Avenue	Davenport	IA	52807	563-726-0527	563-344-2176	Tom Brewer
ProSource of Des Moines	4459 121st Street	Urbandale	IA	50323	515-264-1437	515-264-1510	Aaron Pirner
ProSource of Boise	582 E Sonata Lane	Meridian	ID	83642	208-895-6783	208-855-2703	Alden Palmer
ProSource of Elk Grove Village	2125 Estes Avenue	Elk Grove Village	IL	60007	847-956-8800	847-956-8840	Richard Akel
ProSource of Mokena	9951 W 190th Street, Units I & J	Mokena	IL	60448	708-995-5717	708-995-5719	Richard Akel
ProSource of Naperville	2012 Corporate Lane, Ste 136	Naperville	IL	60563	630-579-0900	630-579-0940	Richard Akel
ProSource of Peoria	7718 North Harker Drive	Peoria	IL	61615	309-692-4510	309-692-4530	Caleb Foglesong
ProSource of Evansville	5231 Oak Grove Road	Evansville	IN	47715	812-962-2040	812-962-2041	Tammy Arnold
ProSource of Indianapolis	6822 Hillsdale Court	Indianapolis	IN	46250	317-915-8200	317-915-8205	David V. Grande
ProSource of South Indianapolis	7375 Company Drive	Indianapolis	IN	46237	317-992-0135	317-300-0195	David V. Grande
ProSource of South Bend	1020 East McKinley Avenue, Ste 109	Mishawaka	IN	46545	574-258-4305	574-258-4306	Ron Joers
ProSource of Kansas City West	7240 W Frontage Road	Merriam	KS	66203	913-599-4488	913-599-6507	Aaron Pirner
ProSource of Wichita	535 South Emerson	Wichita	KS	67209	316-942-8282	316-942-4165	Aaron Pirner
ProSource of Lexington	1183C Brock McVey Drive	Lexington	KY	40509	859-293-2933	859-294-9776	Mike Brody
ProSource of Louisville	3303 Gilmore Industrial Blvd.	Louisville	KY	40213	502-966-2500	502-966-2525	Mike Brody
ProSource of Baton Rouge	10414 Plaza Americana	Baton Rouge	LA	70816	225-248-4800	225-248-1600	Daniel Kennedy
ProSource of Mandeville	13464 Seymour Myers Boulevard	Covington	LA	70433	985-867-9590	985-867-9589	Daniel Kennedy
ProSource of Gonzales	2325 South Commerce Avenue	Gonzales	LA	70737	225-450-2400	225-644-9993	Daniel Kennedy
ProSource of New Orleans	1525 Edwards Avenue	Harahan	LA	70123	504-733-3070	504-733-9001	Daniel Kennedy
ProSource of Acadiana	321 E. Verot School Road	Lafayette	LA	70508	337-205-3606		Daniel Kennedy
ProSource of Lake Charles	2341 E McNeese Street	Lake Charles	LA	70607	337-475-2868	337-475-2872	Tony Pottmeyer
ProSource of Shreveport	9258 Wallace Lake Drive	Shreveport	LA	71106	318-799-04220	318-220-4657	Gail Juneau
ProSource of Boston South	956 Turnpike Street	Canton	MA	02021	781-575-9951	781-575-9952	Michelle Lefkowitz
ProSource of Springfield	149 Carando Drive	Springfield	MA	01104	413-746-0007	413-746-0009	Christopher Taylor

Exhibit A
LEADING EDGE MARKETING d/b/a/ ProSource
LIST OF FRANCHISEES
as of September 30, 2023

Current Franchisees - US Showrooms

Showroom	Address	City	State	Zip	Phone	Fax	Owner
ProSource of Boston	20 Commerce Way	Woburn	MA	01801	781-935-3216	781-935-3836	Michelle Lefkowitz
ProSource of Columbia	8220 Stayton Drive, Ste D	Jessup	MD	20794	301-490-9420	301-490-9491	Jeff Glass
ProSource of Ann Arbor	670 Airport Blvd.	Ann Arbor	MI	48108	734-761-9845	734-761-9852	Tim Merkel
ProSource of Kalamazoo	5400 W. Michigan Avenue	Kalamazoo	MI	49009	269-372-8888	269-372-8844	Lori Ruimveld
ProSource of Detroit Metro	11700 Metro Airport Center Dr, Ste 111	Romulus	MI	48174	734-942-9345	734-942-9295	Mark Smith
ProSource of West Oakland	48168 West Road	Wixom	MI	48393	248-926-8984	248-926-8985	Mark Smith
ProSource of Grand Rapids	1575 Gezon Parkway SW, Ste A	Wyoming	MI	49509	616-257-3200	616-257-3290	Jake Harms
ProSource of Bloomington	9201 Penn Avenue South, Ste 36	Bloomington	MN	55431	952-881-7388	952-881-6788	Ken Nash
ProSource of St. Paul	6866 33rd Street, Ste 140	Oakdale	MN	55128	651-482-8700	651-482-8600	Ken Nash
ProSource of Plymouth	14330 21st Avenue North	Plymouth	MN	55447	763-390-9700	763-390-9708	Ken Nash
ProSource of Lee's Summit	1150 Southeast Century Drive	Lee's Summit	MO	64081	816-524-8998	816-524-7668	Aaron Pirner
ProSource of Springfield	2745 Suite B South Kansas Expressway	Springfield	MO	65807	417-507-1733		Caleb Foglesong
ProSource of Jackson	6370 Cole Road	Ridgeland	MS	39157	601-956-3090	601-956-3332	Daniel Kennedy
ProSource of Billings	710 Carbon Street	Billings	MT	59102	406-652-9400	406-652-9404	John Erbacher
ProSource of Charlotte	2500 Distribution Street, Ste 100	Charlotte	NC	28203	704-347-5970	704-347-5971	Jody Offstein
ProSource of Raleigh	2409 Alwin Ct	Raleigh	NC	27604	919-834-2525	919-834-2627	Jody Offstein
ProSource of Omaha	11617 Centennial Road	La Vista	NE	68128	402-339-7070	402-339-7171	Aaron Pirner
ProSource of South Jersey	411 Bloomfield Drive	West Berlin	NJ	08091	856-306-8765	856-306-8763	Christopher Taylor
ProSource of Albuquerque	2400 Midtown N.E.	Albuquerque	NM	87107	505-761-4076	505-761-4258	Jon Krueger
ProSource of Las Vegas	7350 Dean Martin Drive, Ste 303	Las Vegas	NV	89139	702-798-9802	702-798-9776	David Fuerst
ProSource of Reno	605 Glendale Avenue., #106	Sparks	NV	89431	775-358-2220	775-358-2221	Barry Sutton
ProSource of Albany	110 Railroad Avenue	Albany	NY	12205	518-437-0000	518-437-9170	Christopher Taylor
ProSource of Buffalo	80 Benbro Drive	Cheektowaga	NY	14225	716-684-5555	716-684-5562	Christopher Taylor
ProSource of Nassau	303 Sunnyside Blvd.	Plainview	NY	11803	516-576-0000	516-576-7026	Doug Katz
ProSource of Hudson Valley	47 Patrick Lane, Noxon Business Park	Poughkeepsie	NY	12603	845-471-4710	845-471-2136	Tom Fasoldt
ProSource of Rochester	3450 Winton Place	Rochester	NY	14623	585-427-9999	585-427-9256	John Catanzaro
ProSource of Syracuse	6100 Mautz Road	Syracuse	NY	13206	315-431-0709	315-431-0712	Harold Shapiro
ProSource of Beachwood	23980 Mercantile Road	Beachwood	OH	44122	216-595-9950	216-595-9954	John Marett
ProSource of Canton	305 Schroyer Avenue	Canton	OH	44702	330-452-7360	330-452-7365	Terry Hosner
ProSource of Cincinnati	11565 Rockfield Court	Cincinnati	OH	45241	513-772-7726	513-326-3636	Kyle Hynden
ProSource of Columbus West	5225 Trabue Road	Columbus	OH	43228	614-870-0880	614-870-0888	Kyle Hynden
ProSource of Dayton	2289 Arbor Blvd.	Dayton	OH	45439	937-298-1550	937-298-4476	Kyle Hynden
ProSource of Akron	4365 Mogadore	Kent	OH	44240	330-676-1570	330-676-1597	Terry Hosner
ProSource of Toledo	428 W. Dussel	Maumee	OH	43537	419-893-9555	419-893-9556	Jake Harms
ProSource of Cleveland	29300 Clemens Road	Westlake	OH	44145	440-892-5999	440-892-7141	John Marett

Exhibit A
LEADING EDGE MARKETING d/b/a/ ProSource
LIST OF FRANCHISEES
as of September 30, 2023

Current Franchisees - US Showrooms

Showroom	Address	City	State	Zip	Phone	Fax	Owner
ProSource of Ardmore	2702 Crossroads Drive	Ardmore	OK	73401	580-223-5553		Tom Brewer
ProSource of Oklahoma City	3532 SW 2nd Street, Ste A	Oklahoma City	OK	73108	405-942-8976	405-942-8977	Tom Brewer
ProSource of Tulsa	9811 East 59th Street	Tulsa	OK	74146	918-252-7711	918-252-7717	Todd Adams
ProSource of Bridgeville	101 Southpointe Drive	Bridgeville	PA	15017	412-221-7575	412-221-9121	Tom Murray
ProSource of Pittsburgh	9018 Marshall Road, Suite 105	Cranberry Twp	PA	16066	724-776-6500	724-776-1888	Tom Murray
ProSource of Erie	1415 Peninsula Drive	Erie	PA	16505	814-455-7900	814-452-3190	Steven Riesenberg
ProSource of Harrisburg	7985 Grayson Road	Harrisburg	PA	17111	717-558-9014	717-558-9325	Fred Essis
ProSource of Lancaster	2969 Old Tree Drive	Lancaster	PA	17603	717-299-5680	717-397-4919	Fred Essis
ProSource of Philadelphia	866 Town Center Drive	Langhorne	PA	19047	215-757-9050	215-757-9080	Divya Andhavarapu
ProSource of Valley Forge	2586 Industry Lane, Ste 101	Norristown	PA	19403	610-635-1101	610-635-1104	Divya Andhavarapu
ProSource of Monroeville	1909 New Texas Road	Pittsburgh	PA	15239	724-733-1488	724-733-1855	Tom Murray
ProSource of Greenville	2 Distribution Court	Greer	SC	29650	864-373-9339	864-373-9316	William Dukes
ProSource of Charleston	4760 Goer Drive, Suite B-C	North Charleston	SC	29406	843-552-4590	843-552-4569	Jody Offstein
ProSource of Memphis	3131 Appling Road, Ste 102	Bartlett	TN	38133	901-388-8848	901-388-8282	Tom Brewer
ProSource of Knoxville	2820 Middlebrook Pike, Ste 104	Knoxville	TN	37921	865-381-7171	865-381-7172	Yacir Jaouhari
ProSource of Nashville	3078 Sidco Drive	Nashville	TN	37204	615-251-6100	615-251-7009	Jody Offstein
ProSource of Allen	25 Prestige Circle	Allen	TX	75002	972-521-5115	972-521-5116	Marshall Chamberlin
ProSource of Amarillo	6661 Canyon Drive	Amarillo	TX	79110	806-803-9203	806-803-9254	Bart Brewer
ProSource of Austin	2315 Rutland Drive, Ste 104	Austin	TX	78758	512-836-7888	512-836-1868	Marshall Chamberlin
ProSource of Coppell	989 W Sandy Lake Road	Coppell	TX	75019	972-350-0720	817-632-7276	Marshall Chamberlin
ProSource of Dallas Market Ctr	1500G Dragon Street	Dallas	TX	75207	214-742-3300	214-748-6181	Marshall Chamberlin
ProSource of Fort Worth	5350 Airport Freeway	Fort Worth	TX	76117	817-831-8181	817-831-8192	Marshall Chamberlin
ProSource of NW Houston	4730 Blalock Road	Houston	TX	77041	713-692-9595	713-692-9696	Scott Steel
ProSource of San Antonio	12919 Flagship Drive	San Antonio	TX	78247	210-829-8290	210-829-0038	Marshall Chamberlin
ProSource of The Woodlands	503 Spring Hill Drive	Spring	TX	77386	281-292-8450	281-292-8750	Scott Steel
ProSource of Sugarland	12300 Dairy Ashford Road, Suite 200	Sugarland	TX	77478	281-242-0845	281-242-0086	Scott Steel
ProSource of Clear Lake	16933 North Texas Avenue	Webster	TX	77598	281-338-1088	281-338-2088	Scott Steel
ProSource of Tyler	1212 State Highway 110 N	Whitehouse	TX	75791	903-991-3400		Miguel Silva, Sr.
ProSource of Salt Lake	2495 South 900 West	Salt Lake City	UT	84119	801-972-4441	801-972-3113	Barry Sutton
ProSource of Metro D.C.	5701 General Washington Dr, Ste D&E	Alexandria	VA	22312	703-354-9600	703-354-9602	Mark Bisbee
ProSource of Hampton Roads	1738 Lambert Court	Chesapeake	VA	23320	757-523-5000	757-523-8756	Sharon Smith
ProSource of Dulles	21586 Atlantic Blvd, Ste 100	Dulles	VA	20166	703-673-4100	703-421-5393	Jody Offstein
ProSource of Richmond	2836 East Parham Road	Richmond	VA	23228	804-264-9565	804-264-9566	Jody Offstein
ProSource of Roanoke	1250 B Trapper Circle	Roanoke	VA	24012	540-366-7737	540-366-7760	Tony Perry
ProSource of Newport News	301 Village Avenue	Yorktown	VA	23693	757-369-3331	757-968-5574	Sharon Smith
ProSource of Seattle	21312 30th Dr, SE, Suite B107	Bothell	WA	98021	425-487-4343	425-487-4340	Jon Krueger

Exhibit A
LEADING EDGE MARKETING d/b/a/ ProSource
LIST OF FRANCHISEES
as of September 30, 2023

Current Franchisees - US Showrooms

Showroom	Address	City	State	Zip	Phone	Fax	Owner
ProSource of Spokane	3820 East Main	Spokane	WA	99202	509-536-1120	509-536-1123	Nick Bandel
ProSource of Madison	2911 Market Place Drive, Ste A	Madison	WI	53719	608-441-0101	608-441-0080	Todd Hiltbrand
ProSource of Milwaukee	11725 W Bradley Road	Milwaukee	WI	53224	414-358-8868	414-358-8875	Bill Kerns

Current Franchisees - Canada Showrooms

Showroom	Address	City	Prov	Post	Phone	Fax	Owner
ProSource of Toronto	#8 Hafis Road	Toronto	ON	M6M 2V7	416-248-8383	416-248-9292	Melvin Ma

Company Owned Showrooms

Showroom	Address	City	State	Zip	Phone	Fax	Owner
ProSource of Collinsville	1605 Eastport Plaza Drive, Ste 117	Collinsville	IL	62234	618-345-4474	618-343-3054	Leading Edge Marketing
ProSource of St. Louis	13501 Shoreline Drive	Earth City	MO	63045	314-739-7799	314-739-5243	Leading Edge Marketing
ProSource of Fenton	104 Matrix Commons Road	Fenton	MO	63026	636-717-1177	636-717-0367	Leading Edge Marketing

Store Openings from 10/1/2022 through 9/30/2023

Showroom	Address	City	State	Zip	Phone	Fax	Owner
ProSource of Murrieta	24305 Prielipp Road, Suite 102-103	Wildomar	CA	92595	951-704-7045		Scott Webb

Store Closings from 10/1/2022 through 9/30/2023

Showroom	Address	City	State	Zip	Phone	Fax	Owner
ProSource of Chicago West Loop	410 North Carpenter Street	Chicago	IL	60642	312-829-8800	312-829-8840	Richard Akel
ProSource of Milwaukee-Franklin	9622 South Franklin Drive	Franklin	WI	53132	414-421-9220	414-421-9221	Bill Kerns

Store Relocations from 10/1/2022 through 9/30/2023

Showroom	Address	City	State	Zip	Phone	Fax	Owner
ProSource of Acadiana	321 E. Verot School Road	Lafayette	LA	70508	337-205-3606		Daniel Kennedy

Exhibit A
LEADING EDGE MARKETING d/b/a/ ProSource
LIST OF FRANCHISEES
as of September 30, 2023

Projected Openings As of October 1, 2023 (Table 5)

Showroom	Address	City	State	Zip	Phone	Fax	Owner
ProSource of Phoenix #3 (DBA TBD)	TBD	TBD	AZ	TBD	TBD		Jeffrey Clark
ProSource of Fresno	TBD	TBD	CA	TBD	TBD		Jacob Robinson
ProSource of Marin County	TBD	TBD	CA	TBD	TBD		Hussein Bakhtiari
ProSource of Denver #2 (DBA TBD)	TBD	TBD	CO	TBD	TBD		Doug Finch
ProSource of Denver #3 (DBA TBD)	TBD	TBD	CO	TBD	TBD		Doug Finch
ProSource of Tallahassee	TBD	TBD	FL	TBD	TBD		John Taylor
ProSource of Missouri (DBA TBD)	TBD	TBD	MO	TBD	TBD		ProSource (company-owned)
ProSource of Lubbock	TBD	TBD	TX	TBD	TBD		Bart Brewer
ProSource of South Austin	TBD	TBD	TX	TBD	TBD		Marshall Chamberlin
ProSource of Renton	TBD	TBD	WA	TBD	TBD		Jon Krueger
ProSource of Milwaukee-Franklin	TBD	TBD	WI	TBD	TBD		Steve Wamser

Store Transfers from Franchisees to New Owners from 10/1/2022 through 9/30/2023

Showroom	Address	City	State	Zip	Phone	Fax	Owner
ProSource of Pompano	2002 West Atlantic Boulevard	Pompano Beach	FL	33069	954-590-2121	954-590-2161	Brian Lordi
ProSource of Stamford	25 Harborview Avenue	Stamford	CT	06902	203-602-0607	203-602-0612	Michelle Lefkowitz
ProSource of Dulles	21586 Atlantic Blvd, Ste 100	Dulles	VA	20166	703-673-4100	703-421-5393	Yali Lu
ProSource of Seattle	21312 30th Dr, SE, Suite B107	Bothell	WA	98021	425-487-4343	425-487-4340	Gary Miller

Other than as shown on this Exhibit, there have been no ProSource showrooms that have been terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with ProSource within 10 weeks of the date of this Disclosure Document.

EXHIBIT B

FINANCIAL STATEMENTS

CCA Global Partners
Consolidated Income Statement
For the period ending Thursday, November 30, 2023
(unaudited)

	FY 2024 Consolidated	% OF TOTAL	FY 2023 Consolidated	% OF TOTAL
Revenues:				
From mills	8,373,547	24.5%	9,725,164	31.2%
Other	20,929,852	61.4%	16,119,468	51.7%
Sales of mdse & svces	4,805,554	14.1%	5,342,919	17.1%
Total revenues	34,108,952	100.0%	31,187,551	100.0%
Operating expenses:				
Rebates	575,034	1.7%	714,888	2.3%
Cost of mbr revenues	6,040,507	17.7%	2,126,526	6.8%
Cost of sales	3,521,708	10.3%	3,951,609	12.7%
Advertising expenses	1,071,391	3.1%	766,016	2.5%
Selling, general & admin.	14,698,510	43.1%	13,482,474	43.2%
Interco Charges	0	0.0%	1	0.0%
Total operating expenses	25,907,149	76.0%	21,041,514	67.5%
Income from operations	8,201,803	24.0%	10,146,037	32.5%
Other income (expense):				
Other income	157,069	0.5%	153,994	0.5%
Interest income	1,299,222	3.8%	739,512	2.4%
Gain (loss) on sale of assets	0	0.0%	195,665	0.6%
Foreign currency adjustments	5	0.0%	4	0.0%
Minority interest in net loss of				
Income before dividends & IT	9,658,099	28.3%	11,235,213	36.0%
Dividends:				
Allocated in cash	3,823,031	11.2%	4,427,560	14.2%
Total dividends	3,823,031	11.2%	4,427,560	14.2%
Income before income taxes	5,835,068	17.1%	6,807,652	21.8%
Income Tax Provision	2,022	0.0%	2,297	0.0%
Net Profit (Loss)	5,833,045	17.1%	6,805,355	21.8%

* Company's Fiscal Year (FY) runs from October 1 - September 30

CCA Global Partners
Consolidated Balance Sheet
As Of Thursday, November 30, 2023
(unaudited)

	FY 2024	FY 2023
Current assets:		
Cash & cash equivalents	(8,106,731)	(2,465,415)
Restricted cash	56,700,657	44,902,065
Investments	90,160,048	86,655,729
Interco Receivables (Payables)	(14,597)	(175,268)
Accounts receivable, net	27,259,359	26,654,205
Notes receivable, members	3,321,362	3,572,065
Notes receivable,NM packages	0	432,522
Inventories	9,168,992	3,341,632
Prepaid expenses	6,199,352	1,825,666
Deferred income taxes	3,502,401	3,203,200
Total current assets	188,190,842	167,946,402
Investments, Long term	32,566,857	53,350,280
N/R, mbrs, net of current maturities	(2,153,657)	(2,153,657)
N/R,NM pkgs, net of current maturities	16,826,929	3,835,294
Property & equipment, net of accum depr	2,351,179	2,465,772
Deferred income taxes	607,300	633,600
ROU Asset	12,128,045	0
Investment in Subs	24,997	24,997
Other Assets	1,021,990	511,824
TOTAL ASSETS	251,564,483	226,614,514
Current liabilities:		
Accounts payable	5,149,055	3,292,206
Funds Collected for members (insurance program)	56,700,657	44,902,065
Accrued expenses & other	16,184,218	16,268,779
Current maturities of capital leases payable	1,363,248	0
Due from affiliates	9,163,892	11,382,548
Patronage dividends payable to mbrs	10,355,365	11,417,841
Special cash dividend payable to mbrs	29,756,709	28,509,188
Rebates payable	2,129,614	2,561,121
Income Taxes payable	(92,192)	404,465
Other deferred revenue	9,702,652	6,133,998
Total current liabilities	140,413,217	124,872,212
L-term capital leases, net of current maturities	11,434,057	0
Other liabilities	10,813,501	12,101,945
Total Liabilities	162,660,775	136,974,157
Members' equity:		
Common Stock	1,024	1,008
APIC	580,810	602,799
Retained earnings	29,726,466	29,024,902
Profit (Loss)	5,833,044	6,805,355
Allocated equities	52,571,005	52,979,633
Treasury stock	(467)	(440)
Accum Other Comprehensive Loss	191,824	227,101
Total members' equity	88,903,707	89,640,358
TOTAL LIAB & EQUITY	251,564,482	226,614,515

* Company's Fiscal Year (FY) runs from October 1 - September 30

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AUDITOR'S CONSENT

As independent certified public accountants, we hereby consent to the use of our report on CCA Global Partners, Inc., as of September 30, 2023, dated November 30, 2023, included in and made part of the franchise application of Leading Edge Marketing, Inc. d/b/a ProSource Wholesale Floorcoverings, filed with the appropriate state authorities in the states requiring registration of the offer of franchise.

We further consent to the inclusion in the Franchise Disclosure Document of Leading Edge Marketing, Inc. d/b/a ProSource Wholesale Floorcoverings, with an issuance date of January 12, 2024 of our report dated November 30, 2023 related to our audit of the consolidated financial statements of CCA Global Partners, Inc.

Armanino LLP

ArmaninoLLP
Certified Public Accountants

MOORE
An independent firm associated with Moore Global Network Limited

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2023

armanino

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
CCA Global Partners, Inc.
Earth City, Missouri

Opinion

We have audited the accompanying consolidated financial statements of CCA Global Partners, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CCA Global Partners, Inc. and Subsidiaries as of September 30, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

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

Armanino LLP

Armanino[LLP]
St. Louis, Missouri

November 30, 2023

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
September 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,719,813	$ 13,516,942
Investments, at fair value	53,805,422	65,878,696
Accounts receivable, net	34,139,965	33,591,081
Current maturities of notes receivable, net	3,718,769	1,387,180
Inventories	20,740,701	2,246,196
Prepaid expenses	4,574,443	1,982,386
Income taxes receivable	92,555	-
Restricted cash (funds collected for members, insurance program)	58,200,962	47,709,820
Total current assets	200,992,630	166,312,301
Investments, long-term	33,750,372	52,047,002
Notes receivable, net	10,361,371	1,694,827
Property and equipment, net	2,439,403	2,322,147
Deferred income taxes	4,111,000	3,836,801
Right of use asset	12,128,045	-
Other assets	86,452	1,041,924
	$263,869,273	$227,255,002

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
September 30, 2023 and 2022

	2023	2022
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	$ 19,376,292	$ 6,681,013
Accrued expenses	17,234,574	18,456,040
Current maturities of operating leases payable	1,363,248	-
Due to affiliates	6,379,826	8,908,392
Patronage dividends payable to members	12,071,261	14,006,428
Supplemental patronage dividends payable to members	29,771,517	28,567,172
Rebates payable	1,989,099	2,531,725
Income taxes payable	-	402,141
Other deferred revenue	10,883,244	4,809,628
Funds collected for members (insurance program)	58,200,962	47,709,820
Total current liabilities	157,270,023	132,072,359
Long term liabilities:		
Long term operating leases, net of current maturities	11,434,057	-
Other liabilities	12,022,793	12,113,435
Total long term liabilities	23,456,850	12,113,435
Total liabilities	180,726,873	144,185,794
Members' equity:		
Common stock, $1 par value; 150,000 shares authorized; 558 and 569 shares issued and outstanding, respectively	558	569
Additional paid-in capital	582,808	604,797
Retained earnings	29,726,467	29,033,038
Scrip and preference shares	52,571,455	52,979,633
Accumulated other comprehensive income	261,112	451,171
Total members' equity	83,142,400	83,069,208
	$ 263,869,273	$ 227,255,002

See notes to consolidated financial statements.

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended September 30, 2023 and 2022

	2023	2022
Revenues:		
From suppliers	$ 55,618,055	$ 76,201,280
Other programs and services	119,204,633	103,081,469
Sales of merchandise	28,657,893	30,442,353
Total revenues	203,480,581	209,725,102
Operating expenses:		
Rebates	3,778,752	4,564,918
Cost of member revenues	28,209,443	18,350,873
Cost of merchandise sales	21,097,826	22,605,279
General and administrative expenses	97,271,461	103,048,399
Advertising expenses	5,574,105	6,030,753
Impairment of goodwill	-	1,113,407
Total operating expenses	155,931,587	155,713,629
Income from operations	47,548,994	54,011,473
Other income:		
Interest income	5,663,344	1,383,007
Other income	1,675,645	2,007,506
Gain on sale of shares in Floor Expo, Inc.	1,159,250	8,529,906
Total other income	8,498,239	11,920,419
Income before dividends and income taxes	56,047,233	65,931,892
Patronage dividends:		
Allocated in cash	36,417,335	39,680,375
Allocated in scrip and preference shares	18,470,648	17,721,611
Total patronage dividends	54,887,983	57,401,986
Income before income taxes	1,159,250	8,529,906
Income tax provision	465,821	2,090,670
Net income	693,429	6,439,236
Comprehensive loss:		
Foreign currency translation	(190,059)	(120,596)
Comprehensive income	$ 503,370	$ 6,318,640

See notes to consolidated financial statements.

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF MEMBERS' EQUITY
For the year ended September 30, 2023

	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Canadian Preference Shares	Scrip	Accumulated Other Comprehensive Income
Balance at September 30, 2022	$ 83,069,208	$ 569	$ 604,797	$ 29,033,038	$ 5,132,074	$ 47,847,559	$ 451,171
Comprehensive income:							
Net income	693,429			693,429			
Other comprehensive loss	(190,059)						(190,059)
Total comprehensive income	503,370	-	-	693,429	-	-	(190,059)
Issuance of 14 shares of common stock at $2,000 per share	28,000	14	27,986				
Acquisition of 25 shares of common stock at $2,000 per share	(50,000)	(25)	(49,975)				
Scrip redeemed	(1,450,775)				(165,813)	(1,284,962)	
Scrip to be redeemed	(17,428,051)				(652,831)	(16,775,220)	
Patronage dividends allocated in scrip and preference shares	18,470,648				740,078	17,730,570	
Balance at September 30, 2023	$ 83,142,400	$ 558	$ 582,808	$ 29,726,467	$ 5,053,508	$ 47,517,947	$ 261,112

See notes to consolidated financial statements.

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF MEMBERS' EQUITY
For the year ended September 30, 2022

	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Canadian Preference Shares	Scrip	Accumulated Other Comprehensive Income
Balance at September 30, 2021	$ 77,781,610	$ 578	$ 622,788	$ 22,593,802	$ 5,128,827	$ 48,863,848	$ 571,767
Comprehensive income:							
Net income	6,439,236			6,439,236			
Other comprehensive loss	(120,596)						(120,596)
Total comprehensive income	6,318,640	-	-	6,439,236	-	-	(120,596)
Issuance of 14 shares of common stock at $2,000 per share	28,000	14	27,986				
Acquisition of 23 shares of common stock at $2,000 per share	(46,000)	(23)	(45,977)				
Scrip redeemed	(2,232,047)				(160,337)	(2,071,710)	
Scrip to be redeemed	(16,505,824)				(833,935)	(15,671,889)	
Patronage dividends allocated in scrip and preference shares	17,724,829				997,519	16,727,310	
Balance at September 30, 2022	$ 83,069,208	$ 569	$ 604,797	$ 29,033,038	$ 5,132,074	$ 47,847,559	$ 451,171

See notes to consolidated financial statements.

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Net income	$ 693,429	$ 6,439,236
Adjustments to reconcile net income to net cash from operating activities:		
Patronage dividends allocated in cash	24,073,051	27,612,914
Supplemental patronage cash dividends	12,344,284	12,067,461
Patronage dividends allocated in scrip and preference shares	18,470,648	17,724,829
Depreciation and amortization	1,186,329	1,499,160
Amortization and impairment of goodwill	-	2,226,812
Change in (benefit) provision for deferred income taxes	(277,436)	(851,768)
Gain on sale of shares in Floor Expo, Inc.	-	(8,529,906)
(Increase) decrease in operating assets:		
Accounts and notes receivable, net	(604,678)	(5,219,720)
Inventories	(18,494,524)	27,204
Prepaid expenses and other assets	(1,644,238)	38,861
Income tax receivable	(92,634)	846,796
Increase (decrease) in operating liabilities:		
Accounts payable	12,699,598	2,164,879
Accrued expenses	(1,214,981)	(81,464)
Due to affiliates	(2,528,566)	2,128,248
Income tax payable	(403,850)	447,928
Rebates payable	(480,124)	72,869
Other deferred revenue	6,075,366	(5,200,124)
Operating lease right-of-use asset and obligation, net	669,260	-
Other current liabilities	(90,567)	(699,445)
Funds collected for members (insurance program)	10,491,142	4,332,529
Total adjustments	60,178,080	50,608,063
Cash, cash equivalents, and restricted cash from operating activities	60,871,509	57,047,299
Cash flows from (used by) investing activities:		
Proceeds from sales of investments	46,720,171	50,730,841
Purchases of investments	(16,501,000)	(68,990,999)
Issuance of notes receivable	(12,554,529)	(2,322,804)
Cash collected on notes receivable	1,553,303	4,361,560
Proceeds from sale of Floor Expo, Inc.	-	9,881,528
Purchases of property and equipment	(1,303,585)	(1,272,664)
Cash, cash equivalents, and restricted cash from (used by) investing activities	17,914,360	(7,612,538)
Cash flows (used by) from financing activities:		
Patronage dividends paid	(54,532,754)	(53,650,922)
Proceeds from issuance of common stock	28,000	28,000
Cash payments for acquisition of common stock	(50,000)	(46,000)
Scrip redeemed	(1,446,977)	(2,212,228)
Cash, cash equivalents, and restricted cash used by financing activities	(56,001,731)	(55,881,150)
Effect of changes in foreign currency exchange rate	(90,125)	(65,873)
Net increase (decrease) in cash, cash equivalents, and restricted cash	22,694,013	(6,512,262)
Cash, cash equivalents, and restricted cash, beginning of year	61,226,762	67,739,024
Cash, cash equivalents, and restricted cash, end of year	$ 83,920,775	$ 61,226,762

See notes to consolidated financial statements.

Note 1) OPERATIONS

CCA Global Partners, Inc. ("CCA") is a cooperative owned by its members, which are located throughout the United States and Canada. CCA provides its members, licensees, franchisees and affiliated companies with management and marketing services, including product negotiation and specification, branding, advertising planning and placement, training, and systems. CCA's largest division is Carpet One Floor & Home, whose members are independent, full-service floor covering retailers.

Carpet One Canada, Inc. ("COC") deals primarily in the sale of COC franchises located throughout Canada. Franchisees own and operate Carpet One Floor & Home showrooms, selling floor coverings and related materials to the general public. In addition, each franchisee is a member of CCA.

Leading Edge Marketing, Inc. and LEMI (Canada) Inc. d/b/a/ ProSource Wholesale Floorcoverings ("ProSource") deals primarily in the sale and operation of ProSource franchises located throughout the United States and in Canada. Franchisees own and operate ProSource showrooms, selling floor coverings, cabinets and related materials, generally to businesses that resell such floor coverings to their customers. ProSource Management, Inc. ("PMI") is a wholly owned subsidiary of ProSource that operates showrooms in greater St. Louis, Missouri.

FA Management Enterprises, Inc. ("FA") is a marketing affiliation organization, with members throughout the United States. Members own and operate Flooring America showrooms, selling floor coverings and related materials to the general public. 2976820 Canada Inc., d/b/a Flooring Canada ("FC") is a marketing affiliation organization with members throughout Canada. Members own and operate Flooring Canada showrooms, selling floor coverings and related materials to the general public.

FT Management Company ("FT") offers Stone Mountain, GCO and Floor Trader memberships located throughout the United States. FT members own and operate Stone Mountain, GCO or Floor Trader showrooms, selling floor coverings and related materials to the general public.

IDG Management Company operates International Design Guild ("IDG"), a marketing affiliation organization with members throughout the United States.

Lighting One, L.L.C. and Lighting One Canada, Inc. ("L1") is a marketing affiliation organization, with members throughout the United States and in Canada. Members own and operate Lighting One showrooms selling lighting products to the general public.

Global Partners Management, LLC ("GPM") has a division, The Bike Cooperative ("TB Coop"), which provides marketing and other services to its members who own and operate retail bicycle stores throughout the United States. GPM has a second division, CCA Sports Retail Services, which provides marketing and other services to its members who own and operate fitness stores throughout the United States.

Parallel Concepts, Inc. ("PCI") assists members and franchisees of the Company in procuring insurance products.

Lionsbridge Contractor Group Cooperative ("Lionsbridge") is a cooperative which provides insurance leads and other services to general contractors who are members of the cooperative. Lionsbridge is managed by CCA.

Community Management Cooperative ("Innovia CMC") is a cooperative which provides products and services to members that manage homeowner and condominium associations. Innovia CMC is managed by CCA.

Note 2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of Consolidation

The consolidated financial statements include the accounts of CCA and its wholly owned subsidiaries: COC, ProSource, FA, FC, FT, IDG, L1, GPM, PCI, Lionsbridge and Innovia CMC (collectively, the "Company"). All significant intercompany transactions have been eliminated in consolidation.

B) Use of Estimates

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

C) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The consolidated financial statements reflect dividends allocated in scrip and preference shares to members, which are non-cash items.

D) Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of concentrations of cash in banks.

Accounts receivable is net of allowance for doubtful accounts of $180,215 and $247,974 at September 30, 2023 and 2022 respectively. These receivables consist primarily of rebates and contributions due from suppliers from which the Company's members and franchisees make purchases and amounts due from members and franchisees for merchandise sold to them, and for franchise fees. The allowance is based on management's assessment of the collectability of receivables taking into consideration the age of past due accounts and the customer's ability to pay. The Company generally does not require collateral to secure its receivables from suppliers. Member accounts receivable and notes receivable are generally collateralized by each member's patronage dividends, rebates, and scrip and preference shares.

E) Foreign Currency Adjustments

The consolidated financial statements of subsidiaries outside the United States are measured using the local currency as the functional currency. Assets and liabilities are translated at the rates of exchange at the balance sheet date. Income and expense items are translated at average rates of exchange for the period. The resultant translation adjustments are included in accumulated other comprehensive income, a separate component of members' equity. Realized gains and losses from foreign currency transactions of these subsidiaries are included in net income.

F) Investments

Investment securities are classified within the consolidated financial statements based upon the intent of management. Available for sale investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date. Marketable debt securities are classified as held-to-maturity when management determines there exists the positive intent and ability to hold the securities to maturity. Securities classified as held-to-maturity are carried at amortized cost. Certificates of deposit with remaining maturities greater than one year are classified as investments, long-term. Cost method investments are recorded at their historical cost and examined for impairment on an annual basis. Dividends received from these investments are recorded as dividend income with no change to the investment balance.

G) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

H) Property and Equipment

Property and equipment are stated at cost and are depreciated or amortized primarily on a straight-line basis based upon the following estimated useful lives:

Furniture and equipment	7 years
Computer and office equipment	3 to 7 years
Software	3 years
Warehouse equipment	5 years
Leasehold improvements	Lease lives, which range from 1 to 5 years

Expenditures for maintenance and repairs are charged to operations as incurred, while renewals and betterments, which extend the useful lives of the assets, are capitalized. Upon retirement or disposal, the cost of assets and related accumulated depreciation or amortization is removed from the accounts and any resulting gain or loss is included in earnings. Depreciation and amortization expense was $1,186,329 for the year ended September 30, 2023 and $1,499,160 for the year ended September 30, 2022.

I) Goodwill

Goodwill represents the excess of the acquisition price over fair value of net assets acquired through business combinations. The Company amortizes goodwill on a straight-line basis over a 10 year period, unless a shorter period can be demonstrated to be applicable. When events or circumstances indicate that goodwill may be impaired, goodwill is tested for impairment at the entity level. Impairment, if any, will be recognized for the difference between the fair value of the Company and its carrying amount and will be limited to the carrying amount of goodwill.

J) National Advertising Funds

The Company receives funds from its members and certain suppliers to conduct national advertising and promotion campaigns benefiting members. Expenditures are offset against these funds as they occur.

K) Leases

The Company leases certain office spaces and equipment under operating leases. The Company determines whether an arrangement is, or contains, a lease at the inception of each lease. An arrangement contains a lease if the Company has the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined as having both the right to obtain substantially all the economic benefits from use of the asset and the right to direct the use of the asset. Leases with an initial term of twelve months or less are not recognized on the balance sheet and are recorded as short-term lease expense on a straight-line basis over the lease term. Management reassesses its determination of lease classification only if the terms and conditions of the contracts are changed.

For operating leases, the Company recognized a right-of-use ("ROU") asset and lease liability at the commencement date of the leases. The lease liability is initially and subsequently recognized based on the present value of future lease payments. The Company elected to use the risk-free discount rate for a period comparable with that of the lease term in determining the present value of future lease payments. The ROU asset is measured throughout the lease term at the amount of the remeasured lease liability, plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Some lease arrangements include payments that are adjusted periodically for actual charges incurred for the Company's share of common area maintenance, utility, tax, and insurance costs. The fixed portion of these payments is included in the measurement of ROU assets and lease liabilities, while the variable portion is recorded as lease expense in the period incurred.

The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. The Company elected to combine lease and nonlease components into a single combined component.

L) Members' Equity, Patronage Dividends Payable, Other Comprehensive Income

CCA allocates to its members patronage dividends in cash and scrip, based upon a percentage of rebates earned from suppliers from which members purchase merchandise. CCA is obligated to pay income taxes on its non-patronage source income. Each member's scrip is subject to redemption at face value, upon liquidation, upon resignation, including the sale of their membership, or at CCA's option, at any time in the future. Scrip is reported as a component of members' equity. During the year ended September 30, 2023, CCA redeemed $1,450,775 in scrip previously allocated, and accrued as a liability $17,428,051 of scrip that will be redeemed as part of scrip allocated for the year ended September 30, 2023. During the year ended September 30, 2022, CCA redeemed $2,232,047in scrip previously allocated, and accrued as a liability $16,505,824 of scrip that was redeemed as part of scrip allocated for the year ended September 30, 2022.

Upon liquidation of CCA, any outstanding qualified scrip shall be redeemed at their face amount; each then-current member shall be returned the amount such member paid for a share of common stock in CCA; and CCA shall distribute its remaining assets to all then-current members, and to any and all non-member patrons and former members with or for which CCA transacted business at any time within the five years preceding the date of liquidation based upon the quality or value of business which CCA did with and for each such then-present member, each such non-member patron and each such former member.

COC has issued preference shares to its members. These shares have attributes similar to the scrip issued by CCA. As of September 30, 2023 there are 7,738,133 preference shares issued and outstanding, with a stated value of $5,053,508, and as of September 30, 2022 there were 8,042,091 preference shares issued and outstanding, with a stated value of $5,132,074. Management believes the Company has sufficient funds available to redeem all the outstanding preference shares of COC.

M) Rebates Due to Members of Affiliated Buying Groups

During the year COC, IDG and FC pay rebates to their members, based on rebate revenue earned from suppliers from which members purchase merchandise, less amounts owed to COC, IDG and FC for services. These payments are reported as "Rebates" in the accompanying consolidated financial statements.

N) Revenue Recognition

A significant portion of the Company's supplier revenue consists of rebates collected by the Company on behalf of its members and franchisees from suppliers from which its members and franchisees purchase merchandise. Rebates are recognized as revenue over time in the period the purchases occur at amounts the Company expects to realize.

Franchise fees are recognized as income upon the commencement of operations by a franchisee. Royalty fees, which are based upon a percentage of the franchisees' sales, are recognized as revenue over time in the period the franchisee sales occur at amounts the Company expects to realize.

Other revenues consist primarily of non-rebate income from suppliers, advertising and marketing revenue, sales of merchandising materials, and franchise and royalty income recognized over time in the period the sales occur at amounts the Company expects to realize.

PMI, which is a company owned franchise, sells floor covering products to businesses and the general public, recognized as revenue at a point in time when the sale occurs.

Sales and other taxes the Company collects concurrent with revenue producing activities are excluded from the transaction price when determining revenue. The Company has elected to account for shipping and handling as activities to fulfill the promise to transfer goods.

The Company has elected not to adjust the amount of consideration for the effects of a significant financing component for all contracts one year or less.

The Company has elected to apply ASC606 to a portfolio of similar contracts.

O) Advertising and Promotional Expense

Advertising expenses are charged to operations during the year in which they are incurred. Promotion expenses are charged to operations over the period of the promotional campaign.

P) Research and Development Expense

Research and development costs are expensed as incurred.

Q) Income Taxes

The Company has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings and believes that no disclosure relative to a provision for income taxes is necessary, at this time, to cover any uncertain tax positions.

The Company and its wholly-owned subsidiaries file a consolidated United States federal income tax return. The Company is taxed as a cooperative under Section 1382 of the Internal Revenue Code, which entitles it to claim a deduction for qualifying patronage dividends.

Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates which are expected to be applied to taxable income in the periods in which the deferred tax liability or asset is expected to be settled or realized. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

R) Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts and notes receivable, and accounts payable. The Company's estimate of the fair value of these financial instruments approximates their carrying amounts at September 30, 2023 and 2022. Fair value was determined using discounted cash flow analyses and current interest rates for similar instruments. The Company does not hold or issue financial instruments for trading purposes.

S) Notes Receivable from Members

The Company has a loan program for its members whereby members can borrow up to the amount of their scrip balance with the Company for certain purposes. These notes bear interest at 1% below prime when issued and mature in two to five years. The notes are collateralized by the member's scrip balance.

The Company provides financing to members under various loan programs. The notes receivable are primarily for five year terms, bear interest at various interest rates and, in some cases, are secured by assets.

T) Loss Contingencies

The Company accrues for probable losses from contingencies, including legal defense costs, on an undiscounted basis when such costs are considered probable of being incurred and are reasonably estimable. The Company periodically evaluates available information, both internal and external, relative to such contingencies and adjusts this accrual as necessary.

U) Subsequent Events

The Company evaluated all subsequent events through November 30, 2023, the date the consolidated financial statements were available to be issued.

V) Reclassifications

Certain reclassifications have been made to the 2022 financial statement presentation to correspond to the current year's format. Total equity and net income are unchanged due to these reclassifications.

Note 3) CHANGE IN ACCOUNTING PRINCIPLE

In 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, Leases (Topic 842). This standard requires the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases.

The Company adopted the standard effective October 1, 2022, using the modified-retrospective approach. The Company elected the package of practical expedients permitted under the transition guidance within the new standard. The Company elected not to reassess: expired or existing contracts for lease identifications, the lease classification for existing or expired leases, or the initial direct costs for existing leases.

On October 1, 2022, the Company recorded ROU assets and corresponding lease liabilities of $12,797,305. Adoption of the new standard had no material impact on the Company's beginning equity or net income for the year ended September 30, 2023.

Note 4) INVESTMENTS

Investments consist of the following at September 30, 2023:

	Amortized Cost	Gross Unrealized Gains (Losses)	Fair Value
Investments, at fair value:			
Available for sale			
Money market mutual funds	$51,933,827	$ -	$51,933,827
Certificates of deposit	1,841,800	29,795	1,871,595
Total investments, at fair value	$53,775,627	$ 29,795	$53,805,422
Investments, long-term:			
Held to maturity			
U.S. Treasury bonds	$ 8,709,424	$ (417,579)	$ 8,291,845
Federal agency bonds	6,530,311	(192,073)	6,338,238
Certificates of deposit	12,200,000	(430,847)	11,769,153
	27,439,735	(1,040,499)	26,399,236
Cash surrender value of life insurance	6,310,637	-	6,310,637
Total investments, long-term	$33,750,372	$(1,040,499)	$32,709,873

The following is a summary of maturities of securities held-to-maturity as of September 30, 2023:

	Held-to-maturity	
	Amortized Cost	Fair Value
Amounts maturing in:		
One year or less	$13,013,123	$12,680,634
After one year through five years	13,862,768	13,203,202
After five years through ten years	563,844	515,400
Totals	$27,439,735	$26,399,236

Investments consist of the following at September 30, 2022:

	Amortized Cost	Gross Unrealized Gains	Fair Value
Investments, at fair value:			
Available for sale			
Money market mutual funds	$62,022,931	$ -	$62,022,931
Certificates of deposit	3,840,350	15,415	3,855,765
Total investments, at fair value	$65,863,281	$ 15,415	$65,878,696
Investments, long-term:			
Held to maturity			
U.S. Treasury bonds	$20,755,794	$ (528,029)	$20,227,765
Federal agency bonds	9,135,052	(256,098)	8,878,954
Certificates of deposit	16,000,085	(406,013)	15,594,072
	45,890,931	(1,190,140)	44,700,791
Cash surrender value of life insurance	6,156,071	-	6,156,071
Total investments, long-term	$52,047,002	$(1,190,140)	$50,856,862

The tables below provide additional information for those debt securities with gross unrealized losses at September 30, 2023 and 2022, aggregated by length of time the individual securities have been in a continuous loss position:

September 30, 2023:

	Maturity: Less than Twelve Months		Maturity: Twelve Months or More	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
US treasury bonds	$633,582	$13,712	$7,658,262	$403,867
Federal agency bonds	469,412	6,766	5,868,826	185,307
Certificates of deposits	2,194,120	55,880	9,575,034	374,967
Total temporarily impaired securities	$3,297,114	$76,358	$23,102,122	$964,141

September 30, 2022:

	Maturity: Less than Twelve Months		Maturity: Twelve Months or More	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
US treasury bonds	$15,884,518	$326,830	$4,343,247	$200,784
Federal agency bonds	4,347,926	148,465	4,531,029	107,633
Certificates of deposits	4,372,917	119,105	10,470,654	287,323
Total temporarily impaired securities	$24,605,361	$594,400	$19,344,930	$595,740

The total unrealized loss was $1,040,499 and $1,190,140 at September 30, 2023 and 2022, respectively. The unrealized loss was primarily caused by changes in interest rates. Because the Company does not intend to sell the investments, and it is unlikely that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be at maturity, the Company does not consider these investments to be other than temporarily impaired at September 30, 2023. Therefore, the Company has not recognized any loss on these securities during the years ended September 30, 2023 or 2022.

Note 5) FAIR VALUE MEASUREMENT OF ASSETS

The financial assets are valued based upon GAAP fair value hierarchy. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. The Company also uses fair value concepts to test various long-lived assets for impairment.

Fair values of assets measured on a recurring basis are as follows:

	Fair value measurements at reporting date using	
	Fair value	Quoted prices in active markets for identical assets (Level 1)
Assets as of September 30, 2023		
Money market mutual funds	$51,933,827	$51,933,827
Certificates of deposit (a)	1,871,595	-
	$53,805,422	$51,933,827
Assets as of September 30, 2022		
Money market mutual funds	$62,022,931	$62,022,931
Certificates of deposit (a)	3,855,765	-
	$65,878,696	$62,022,931

(a) The certificates of deposit have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the investment line items presented in the balance sheet.

Note 6) NOTES RECEIVABLE

Notes receivable consist of the following:

	September 30, 2023	September 30, 2022
Merchandising displays	$11,776,011	$ 220,212
Sale of ProSource showrooms	2,153,657	2,153,657
Member expansion notes	947,860	1,424,929
Equity loans, members	853,309	1,079,537
Kiba expansion notes	502,960	357,329
Allowance for bad debt	(2,153,657)	(2,153,657)
Notes receivable, net	$14,080,140	$ 3,082,007

The following notes receivable were past due as of September 30:

	1-60 days past due	61-90 days past due	90+ days past due	Total past due
2023	$ 106,164	$ 18,572	$ 1,304,438	$ 1,429,174
2022	$ 67,742	$ 15,974	$ 1,014,825	$ 1,098,541

Note 7) INVENTORIES

Inventories consist of the following:

	September 30, 2023	September 30, 2022
Displays and collateral materials	$ 19,623,200	$ 812,035
Goods for resale	1,117,501	1,434,161
	$ 20,740,701	$ 2,246,196

Note 8) PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	September 30, 2023	September 30, 2022
Software	$ 10,886,984	$ 9,811,798
Computer and office equipment	4,487,585	4,365,338
Leasehold improvements	4,464,653	4,370,842
Furniture and equipment	2,132,593	2,134,565
Warehouse equipment	121,933	121,933
	22,093,748	20,804,476
Accumulated depreciation and amortization	(19,654,345)	(18,482,329)
Property and equipment, net	$ 2,439,403	$ 2,322,147

Note 9) GOODWILL

The gross carrying amount of goodwill and accumulated amortization of goodwill consists of the following at September 30, 2023 and 2022:

	September 30, 2023	September 30, 2022
Goodwill	$ 11,607,548	$ 11,607,548
Accumulated amortization	(11,607,548)	(9,380,737)
Amortization & impairment expense	-	(2,226,811)
Goodwill, net	$ -	$ -

The Company evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of goodwill may warrant revision or that the remaining balance may not be recoverable. Management has recorded an impairment of $1,113,404 in 2022.

Note 10) FINANCING AGREEMENT

The Company had a $1,000,000 bank line of credit which matured in July 2023. The interest rate was variable, based on the daily Bloomberg Short-Term Bank Yield Index ("BSBY") rate plus 1.75%. There was no borrowing activity during the years ended September 30, 2023 and 2022.

Note 11) REVENUE AND CONTRACT LIABILITIES

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations:

	Year ended September 30, 2023	Year ended September 30, 2022
Performance obligations satisfied at a point in time	$ 51,661,581	$ 40,544,625
Performance obligations satisfied over time	151,819,000	169,180,477
	$ 203,480,581	$ 209,725,102

Contract liabilities (other deferred revenue) consists mainly of rights granted to members for future good and services. The rights to the future goods and services are earned as a part of the member contracts with the Company. Revenue is deferred and recognized as the goods are delivered and services are performed.

	Year ended September 30, 2023	Year ended September 30, 2022
Balance at beginning of year	$ 4,809,628	$ 10,010,030
Increase in liability	15,763,097	11,592,824
Amounts recognized as income	(9,689,481)	(16,793,226)
Balance at end of year	$ 10,883,244	$ 4,809,628

Note 12) EMPLOYEE BENEFITS PLANS

The Company has a 401(k) employee benefit plan. All full-time employees in the U.S. who have completed one full month of service with the Company are eligible to participate in the plan. The Company matches a percentage of employee contributions to the plan up to a maximum dollar amount. The Company's expense was $866,280 for the year ended September 30, 2023, and $743,000 for 2022.

The Company has four Supplemental Executive Retirement Plans ("SERP"s) for certain key executives. These plans are un-funded and non-qualified under U.S. tax law. These SERP obligations were $11,557,679 and $11,736,611 as of September 30, 2023 and 2022 respectively, and are reflected in other liabilities.

The Company carries life insurance policies on its current and former Chief Executive Officers with a total face value of approximately $10,460,000 at September 30, 2023 and $10,000,000 at September 30, 2022. These policies had a cash surrender value of $6,170,000 at September 30, 2023 and $6,156,071 at September 30, 2022, which is reflected in investments, long-term.

Note 13) INCOME TAXES

The Company's provision for income taxes consists of the following:

	Year ended September 30, 2023	Year ended September 30, 2022
Current:		
Federal	$ 557,703	$ 2,531,009
State	146,253	394,142
Foreign	39,301	(23,982)
	743,257	2,901,169
Deferred:		
Federal	(217,942)	(625,942)
State	(59,494)	(184,557)
	(277,436)	(810,499)
Income tax provision	$ 465,821	$ 2,090,670

The Company's deferred income tax components are primarily due to temporary differences in the deduction of reserves, depreciation, amortization, the treatment of intangibles, deferred compensation, bad debts for book and tax purposes and capitalization of overhead into inventory for tax purposes.

The Company's provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from providing for state income taxes and from deducting certain expenses for financial statement purposes but not for federal income tax purposes, such as non-deductible meals and entertainment expenses and officers' life insurance expense.

The Company has available $800,000 and $0 of net operating loss carryforwards at September 30, 2023 and 2022 respectively. At September 30, 2023 no valuation allowance has been established on the Company's net operating loss carryforwards.

The total net deferred tax assets consist of the following:

	September 30, 2023	September 30, 2022
Deferred tax assets	$ 5,750,500	$ 5,476,301
Deferred tax liabilities	1,639,500	1,639,500
Net deferred tax assets	$ 4,111,000	$ 3,836,801

Note 14) OPERATING LEASES (AFTER ADOPTION OF ASC 842)

The Company conducts its operations from leased facilities in the United States and Canada under operating leases that expire in varying years from 2023 through 2033. Certain of these leases contain provisions for payment of real estate taxes and operating expenses, and include options to renew. In addition, certain office equipment is leased under operating leases, which expire in varying years from 2026 through 2028.

The following summarizes the line items on the balance sheet as of September 30, 2023:

Operating leases	
Operating lease right-of-use assets	$ 12,128,045
Current maturities of operating lease liabilities	$ 1,363,248
Operating lease liabilities, less current maturities	11,434,057
	$ 12,797,305

The following summarizes the line items on the statement of comprehensive income for the year ended September 30, 2023:

Operating leases, included in operating expenses	$ 1,646,778

The following summarizes the cash flow information related to operating leases for the year ended September 30, 2023:

Operating cash flows from operating leases	$ 1,560,744

The following summarizes the weighted average remaining lease term and discount rate as of September 30, 2023:

Weighted average remaining lease term in years	
Operating leases	9.15
Weighted average discount rate	
Operating leases	2.42%

The maturities of lease liabilities as of September 30, 2023 were as follows:

Year ending:	
2024	$ 1,655,161
2025	1,573,821
2026	1,426,670
2027	1,429,453
2028	1,437,755
Thereafter	6,793,498
	14,316,358
Less: interest	(1,519,053)
Present value of lease liabilities	$ 12,797,305

As of September 30, 2023, the Company has signed lease renewals on two operating leases that have not yet commenced with future maturities of lease liabilities totaling $11,240,899. These operating leases will commence on January 1, 2024, and May 1, 2024 with lease terms of 10 years and 8 years respectively.

Note 15) OPERATING LEASES (BEFORE ADOPTION OF ASC 842)

Total rent expense for the year ended September 30, 2022 was $1,193,461 on operating leases described in Note 14 above.

Note 16) RELATED PARTY TRANSACTIONS

The Company shares office facilities with FA Cooperative, Inc. ("FA Co-op"), FT Cooperative, Inc. ("FT Co-op"), Innovia CMC, L-1 Cooperative, Inc. ("L-1 Co-op"), Lionsbridge, ProSource Cooperative, Inc. ("PS Co-op"), and TB Co-op, co-ops that possess some common members on their boards of directors with those of the Company, but are not included in these consolidated financial statements. During the year ended September 30, 2023, fees and administrative expenses of $12,409,822 were charged to these other co-ops, and $13,795,412 for the year ended September 30, 2022.

The amounts classified as "Due to affiliates" in the accompanying consolidated balance sheets consist primarily of amounts owed by the Company to FA Co-op, FT Co-op, L-1 Co-op, PS Co-op and TB Co-op for rebates collected on behalf of the co-ops, net of the Company's fees and administrative expenses charged to them.

FA Co-op, FT Co-op, L-1 Co-op, PS Co-op and TB Co-op transfer their cash daily to CCA for management by CCA.

Several of the Company's directors own memberships and franchises.

Note 17) FLOOREXPO, INC. ("FEI")

Through May 2022, a wholly owned subsidiary, CCA Acquisition, Inc. ("CCAA"), held a non-controlling equity interest in FEI, a marketing and buying group operating within the residential contract segments of the floor covering and cabinet, countertop, decorative plumbing and roofing industries. One of CCA's Co-Chief Executive Officers was a Director of FEI. CCAA's investment in FEI was accounted for on the cost basis.

On May 26, 2022, CCAA sold all of its 281,250 voting common shares in FEI for $9,881,528 in cash. As part of the sale, CCAA received 3,034.35 Class M Units in Local Retail Solutions, LLC ("LRS"), the buyer of the FEI business. CCAA's Class M Units represented approximately 0.18% of the outstanding equity of LRS in May 2022, which CCA valued at $25,000, shown in other assets. LRS and its affiliates manage FEI and other product buying and marketing groups, primarily in consumer appliances and electronics products. The value of the investment on the books was $1,376,622, shown in other assets. CCA recognized a gain of $8,529,906 on the transaction, before income taxes, which is shown in other income.

Under the terms of the sale, CCAA was eligible to receive additional cash from FEI if various post-closing conditions were met and escrows released. During the year ended September 30, 2023, CCA received $1,159,250 of additional cash from those post-closing activities, which is reflected as gain in other income. CCAA remains eligible to receive additional cash from those post-closing activities, but at September 30, 2023 it was not possible to estimate the amount of such receipts, if any, and they will be recognized in the year received.

CCA continues to provide certain contract and rebate processing services to FEI in exchange for a service fee. CCA subleased two offices from FEI through July 2023, when the space was returned to FEI. Following the sale of CCAA's interest in FEI, CCA's officers have held no management or board of directors positions with FEI or LRS.

Note 18) COMMITMENTS, CONCENTRATIONS AND CONTINGENCIES

The Company has employment agreements with its current and former Chief Executive Officers and other key officers and employees of the Company, which extend for one to five years and are renewable. These agreements provide compensation arrangements and, in certain instances, incentive bonuses. The agreements also include non-compete restrictions for specified time periods subsequent to the individual's termination.

In the normal course of business, the Company has commitments aggregating approximately $3,450,901 at September 30, 2023 relating to convention and trip agreements.

Approximately 3% of the Company's revenues were earned in Canada for the year ended September 30, 2023. At September 30, 2023 assets with a carrying value of $6,110,135 were located in Canada. For the year ended September 30, 2022 approximately 4% of the Company's revenues were earned in Canada. At September 30, 2022 assets with a carrying value of $7,050,581 were located in Canada.

The Company has contracts with its suppliers that are generally one or two years in length. Two suppliers each comprised in excess of 10% of the Company's revenues for the years ended September 30, 2023 and September 30, 2022.

The Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Company defends itself vigorously against such claims. Although the outcome of these matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

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AUDITOR'S CONSENT

As independent certified public accountants, we hereby consent to the use of our report on CCA Global Partners, Inc., as of September 30, 2022, dated November 30, 2022, included in and made part of the franchise application of Leading Edge Marketing, Inc. d/b/a ProSource Wholesale Floorcoverings, filed with the appropriate state authorities in the states requiring registration of the offer of franchise.

We further consent to the inclusion in the Franchise Disclosure Document of Leading Edge Marketing, Inc. d/b/a ProSource Wholesale Floorcoverings, with an issuance date of January 19, 2023 of our report dated November 30, 2022 related to our audit of the financial statements of CCA Global Partners, Inc.

Armanino LLP

ArmaninoLLP
Certified Public Accountants

MOORE
An independent firm associated with Moore Global Network Limited

CCA Global Partners, Inc. and Subsidiaries

Consolidated Financial Statements

September 30, 2022 and 2021

armanino

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
CCA Global Partners, Inc.
Earth City, Missouri

Opinion

We have audited the accompanying consolidated financial statements of CCA Global Partners, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CCA Global Partners, Inc. and Subsidiaries as of September 30, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

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

Armanino LLP

ArmaninoLLP
St. Louis, Missouri

November 30, 2022

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
September 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,516,942	$ 24,361,733
Investments, at fair value	65,878,696	61,726,157
Accounts receivable, net	33,591,081	28,397,380
Current maturities of notes receivable, net	1,387,180	2,162,526
Inventories	2,246,196	2,273,423
Prepaid expenses	1,982,386	2,463,470
Income taxes receivable	-	891,754
Restricted cash (funds collected for members, insurance program)	47,709,820	43,377,291
Total current assets	166,312,301	165,653,734
Investments, long-term	52,047,002	38,049,251
Notes receivable, net	1,694,827	2,959,624
Property and equipment, net	2,322,147	2,548,643
Deferred income taxes	3,836,801	2,987,400
Goodwill, net	-	2,226,811
Other assets	1,041,924	1,955,313
	$ 227,255,002	$ 216,380,776

See notes to consolidated financial statements.

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
September 30, 2022 and 2021

	2022	2021
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,681,013	$ 4,518,692
Accrued expenses	18,456,040	18,541,024
Due to affiliates	8,908,392	6,780,144
Patronage dividends payable to members	14,006,428	14,212,072
Supplemental patronage dividends payable to members	28,567,172	25,843,051
Rebates payable	2,531,725	2,503,930
Income taxes payable	402,141	-
Other deferred revenue	4,809,628	10,010,030
Funds collected for members (insurance program)	47,709,820	43,377,291
Total current liabilities	132,072,359	125,786,234
Other liabilities	12,113,435	12,812,932
Total liabilities	144,185,794	138,599,166
Members' equity:		
Common stock, $1 par value; 150,000 shares authorized; 569 and 578 shares issued and outstanding, respectively	569	578
Additional paid-in capital	604,797	622,788
Retained earnings	29,033,038	22,593,802
Scrip and preference shares	52,979,633	53,992,675
Accumulated other comprehensive income	451,171	571,767
Total members' equity	83,069,208	77,781,610
	$ 227,255,002	$ 216,380,776

See notes to consolidated financial statements.

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended September 30, 2022 and 2021

	2022	2021
Revenues:		
From suppliers	$ 76,201,280	$ 63,556,346
Other programs and services	103,081,469	91,602,360
Sales of merchandise	30,442,353	30,062,301
Total revenues	209,725,102	185,221,007
Operating expenses:		
Rebates	4,564,918	4,446,945
Cost of member revenues	18,350,873	13,580,745
Cost of merchandise sales	22,605,279	22,359,311
General and administrative expenses	103,048,399	87,628,647
Advertising expenses	6,030,753	6,069,614
Impairment of goodwill	1,113,407	-
Total operating expenses	155,713,629	134,085,262
Income from operations	54,011,473	51,135,745
Other income:		
Interest income	1,383,007	863,047
Gain on extinguishment of PPP loan	-	6,133,500
Other income	2,007,506	2,264,497
Gain on sale of shares in Floor Expo, Inc.	8,529,906	-
Total other income	11,920,419	9,261,044
Income before dividends and income taxes	65,931,892	60,396,789
Patronage dividends:		
Allocated in cash	39,680,375	34,274,519
Allocated in scrip and preference shares	17,721,611	19,688,770
Total patronage dividends	57,401,986	53,963,289
Income before income taxes	8,529,906	6,433,500
Income tax provision (benefit)	2,090,670	(17,282)
Net income	6,439,236	6,450,782
Comprehensive (loss) income:		
Foreign currency translation	(120,596)	202,748
Comprehensive income	$ 6,318,640	$ 6,653,530

See notes to consolidated financial statements.

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF MEMBERS' EQUITY
For the year ended September 30, 2022

	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Canadian Preference Shares	Scrip	Accumulated Other Comprehensive Income
Balance at September 30, 2021	$ 77,781,610	$ 578	$ 622,788	$ 22,593,802	$ 5,128,827	$ 48,863,848	$ 571,767
Comprehensive income:							
Net income	6,439,236			6,439,236			
Other comprehensive loss	(120,596)						(120,596)
Total comprehensive income	6,318,640	-	-	6,439,236	-	-	(120,596)
Issuance of 14 shares of common stock at $2,000 per share	28,000	14	27,986				
Acquisition of 23 shares of common stock at $2,000 per share	(46,000)	(23)	(45,977)				
Scrip redeemed	(2,228,829)				(157,119)	(2,071,710)	
Scrip to be redeemed	(16,505,824)				(833,935)	(15,671,889)	
Patronage dividends allocated in scrip and preference shares	17,721,611				994,301	16,727,310	
Balance at September 30, 2022	$ 83,069,208	$ 569	$ 604,797	$ 29,033,038	$ 5,132,074	$ 47,847,559	$ 451,171

See notes to consolidated financial statements.

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF MEMBERS' EQUITY
For the year ended September 30, 2021

	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Canadian Preference Shares	Scrip	Accumulated Other Comprehensive Income
Balance at September 30, 2020	$ 71,387,562	$ 585	$ 636,781	$ 16,143,020	$ 5,105,426	$ 49,132,731	$ 369,019
Comprehensive income:							
Net income	6,450,782			6,450,782			
Other comprehensive income	202,748						202,748
Total comprehensive income	6,653,530	-	-	6,450,782	-	-	202,748
Issuance of 13 shares of common stock at $2,000 per share	26,000	13	25,987				
Acquisition of 20 shares of common stock at $2,000 per share	(40,000)	(20)	(39,980)				
Scrip redeemed	(2,115,425)				(119,953)	(1,995,472)	
Scrip to be redeemed	(17,818,827)				(920,532)	(16,898,295)	
Patronage dividends allocated in scrip and preference shares	19,688,770				1,063,886	18,624,884	
Balance at September 30, 2021	$ 77,781,610	$ 578	$ 622,788	$ 22,593,802	$ 5,128,827	$ 48,863,848	$ 571,767

See notes to consolidated financial statements.

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net income	$ 6,439,236	$ 6,450,782
Adjustments to reconcile net income to net cash provided by operating activities:		
Patronage dividends allocated in cash	27,612,914	26,251,466
Supplemental patronage cash dividends	12,067,461	8,023,053
Patronage dividends allocated in scrip and preference shares	17,724,829	19,465,431
Depreciation	1,499,160	1,377,781
Amortization and impairment of goodwill	2,226,812	1,113,404
Gain on extinguishment of PPP loan	-	(6,133,500)
Change in (benefit) provision for deferred income taxes	(851,768)	348,687
Gain on sale of shares in Floor Expo, Inc.	(8,529,906)	-
(Increase) decrease in operating assets:		
Accounts and notes receivable, net	(5,219,720)	(2,067,392)
Inventories	27,204	(1,150,957)
Prepaid expenses and other assets	38,861	(932,881)
Income tax receivable	846,796	(891,704)
Increase (decrease) in operating liabilities:		
Accounts payable	2,164,879	(320,450)
Accrued expenses	(81,464)	5,022,245
Due to affiliates	2,128,248	2,233,872
Income tax payable	447,928	(804,931)
Rebates payable	72,869	891,749
Other deferred revenue	(5,200,124)	2,282,577
Other current liabilities	(699,445)	(481,895)
Funds collected for members (insurance program)	4,332,529	12,051,131
Total adjustments	50,608,063	66,277,686
Cash, cash equivalents, and restricted cash provided by operating activities	57,047,299	72,728,468
Cash flows from (used by) investing activities:		
Proceeds from sales of investments	50,730,841	51,416,601
Purchases of investments	(68,990,999)	(69,453,996)
Issuance of notes receivable	(2,322,804)	(1,049,450)
Cash collected on notes receivable	4,361,560	5,962,238
Proceeds from sale of Floor Expo, Inc.	9,881,528	-
Purchases of property and equipment	(1,272,664)	(1,113,711)
Cash, cash equivalents, and restricted cash used by investing activities	(7,612,538)	(14,238,318)
Cash flows (used by) from financing activities:		
Patronage dividends paid	(53,650,922)	(35,340,509)
Proceeds from issuance of common stock	28,000	26,000
Cash payments for acquisition of common stock	(46,000)	(40,000)
Scrip redeemed	(2,212,228)	(2,089,815)
Cash, cash equivalents, and restricted cash used by financing activities	(55,881,150)	(37,444,324)
Effect of changes in foreign currency exchange rate	(65,873)	104,188
Net (decrease) increase in cash, cash equivalents, and restricted cash	(6,512,262)	21,150,014
Cash, cash equivalents, and restricted cash, beginning of year	67,739,024	46,589,010
Cash, cash equivalents, and restricted cash, end of year	$ 61,226,762	$ 67,739,024

Note 1) OPERATIONS

CCA Global Partners, Inc. ("CCA") is a cooperative owned by its members, which are located throughout the United States and Canada. CCA provides its members, licensees, franchisees and affiliated companies with management and marketing services, including product negotiation and specification, branding, advertising planning and placement, training, and systems. CCA's largest division is Carpet One Floor & Home, whose members are independent, full-service floor covering retailers.

Carpet One Canada, Inc. ("COC") deals primarily in the sale of COC franchises located throughout Canada. Franchisees own and operate Carpet One Floor & Home showrooms, selling floor coverings and related materials to the general public. In addition, each franchisee is a member of CCA.

Leading Edge Marketing, Inc. d/b/a/ ProSource Wholesale Floorcoverings ("ProSource") deals primarily in the sale and operation of ProSource franchises located throughout the United States and in Canada. Franchisees own and operate ProSource showrooms, selling floor coverings and related materials, generally to businesses that resell such floor coverings to their customers. ProSource Management, Inc. ("PMI") is a wholly owned subsidiary of ProSource that operates showrooms in greater St. Louis, Missouri.

FA Management Enterprises, Inc. ("FA") is a marketing affiliation organization, with members throughout the United States. Members own and operate Flooring America showrooms, selling floor coverings and related materials to the general public. Flooring Canada ("FC") is a marketing affiliation organization with members throughout Canada. Members own and operate Flooring Canada showrooms, selling floor coverings and related materials to the general public.

FT Management Company ("FT") offers Stone Mountain, GCO and Floor Trader memberships located throughout the United States. FT members own and operate Stone Mountain, GCO or Floor Trader showrooms, selling floor coverings and related materials to the general public.

IDG Management Company operates International Design Guild ("IDG"), a marketing affiliation organization with members throughout the United States.

Lighting One, L.L.C. ("L1") is a marketing affiliation organization, with members throughout the United States and in Canada. Members own and operate Lighting One showrooms selling lighting products to the general public.

Global Partners Management, LLC ("GPM") has a division, The Bike Cooperative ("TB Co-op"), which provides marketing and other services to its members who own and operate retail bicycle stores throughout the United States. GPM has a second division, CCA Sports Retail Services, which provides marketing and other services to its members who own and operate retail bicycle stores and fitness stores throughout the United States.

Parallel Concepts, Inc. ("PCI") assists members and franchisees of the Company in procuring insurance products.

Lionsbridge Contractor Group Cooperative ("Lionsbridge") is a cooperative which provides insurance leads and other services to general contractors who are members of the cooperative. Lionsbridge is managed by CCA.

Community Management Cooperative ("Innovia CMC") is a cooperative which provides products and services to members that manage homeowner and condominium associations. Innovia CMC is managed by CCA.

Note 2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of Consolidation

The consolidated financial statements include the accounts of CCA and its wholly owned subsidiaries: COC, ProSource, FT, IDG, FA, FC, L1, GPM, PCI, Lionsbridge and Innovia CMC (collectively, the "Company"). All significant intercompany transactions have been eliminated in consolidation.

B) Use of Estimates

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

C) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The consolidated financial statements reflect dividends allocated in scrip and preference shares to members, which are non-cash items.

D) Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of concentrations of cash in banks.

Accounts receivable is net of allowance for doubtful accounts of $247,974 and $325,144 at September 30, 2022 and 2021 respectively. These receivables consist primarily of rebates and contributions due from suppliers from which the Company's members and franchisees make purchases and amounts due from members and franchisees for merchandise sold to them, and for franchise fees. The allowance is based on management's assessment of the collectability of receivables taking into consideration the age of past due accounts and the customer's ability to pay. The Company generally does not require collateral to secure its receivables from suppliers. Member accounts receivable and notes receivable are generally collateralized by each member's patronage dividends, rebates, and scrip and preference shares.

E) Foreign Currency Adjustments

The consolidated financial statements of subsidiaries outside the United States are measured using the local currency as the functional currency. Assets and liabilities are translated at the rates of exchange at the balance sheet date. Income and expense items are translated at average rates of exchange for the period. The resultant translation adjustments are included in accumulated other comprehensive income, a separate component of members' equity. Realized gains and losses from foreign currency transactions of these subsidiaries are included in net income.

F) Investments

Investment securities are classified within the consolidated financial statements based upon the intent of management. Available for sale investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date. Marketable debt securities are classified as held-to-maturity when management determines there exists the positive intent and ability to hold the securities to maturity. Securities classified as held-to-maturity are carried at amortized cost. Certificates of deposit with remaining maturities greater than one year are classified as investments, long-term. Cost method investments are recorded at their historical cost and examined for impairment on an annual basis. Dividends received from these investments are recorded as dividend income with no change to the investment balance.

G) Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

H) Property and Equipment

Property and equipment are stated at cost and are depreciated or amortized primarily on a straight-line basis based upon the following estimated useful lives:

Furniture and equipment	7 years
Computer and office equipment	3 to 7 years
Software	3 years
Warehouse equipment	5 years
Leasehold improvements	Lease lives, which range from 1 to 5 years

Expenditures for maintenance and repairs are charged to operations as incurred, while renewals and betterments, which extend the useful lives of the assets, are capitalized. Upon retirement or disposal, the cost of assets and related accumulated depreciation is removed from the accounts and any resulting gain or loss is included in earnings. Depreciation expense was $1,499,160 for the year ended September 30, 2022 and $1,377,781 for the year ended September 30, 2021.

I) Goodwill

Goodwill represents the excess of the acquisition price over fair value of net assets acquired through business combinations. The Company amortizes goodwill on a straight-line basis over a 10 year period, unless a shorter period can be demonstrated to be applicable. When events or circumstances indicate that goodwill may be impaired, goodwill is tested for impairment at the entity level. Impairment, if any, will be recognized for the difference between the fair value of the Company and its carrying amount and will be limited to the carrying amount of goodwill.

J) National Advertising Funds

The Company receives funds from its members and certain suppliers to conduct national advertising and promotion campaigns benefiting members. Expenditures are offset against these funds as they occur.

K) Members' Equity, Patronage Dividends Payable, Other Comprehensive Income

CCA allocates to its members patronage dividends in cash and scrip, based upon a percentage of rebates earned from suppliers from which members purchase merchandise. CCA is obligated to pay income taxes on its non-patronage source income. Each member's scrip is subject to redemption at face value, upon liquidation, upon resignation, including the sale of their membership, or at CCA's option, at any time in the future. Scrip is reported as a component of members' equity. During the year ended September 30, 2022, CCA redeemed $2,228,829 in scrip previously allocated, and accrued as a liability $16,505,824 of scrip that will be redeemed as part of scrip allocated for the year ended September 30, 2022. During the year ended September 30, 2021, CCA redeemed $2,115,425 in scrip previously allocated, and accrued as a liability $17,818,827 of scrip that was redeemed as part of scrip allocated for the year ended September 30, 2021.

Upon liquidation of CCA, any outstanding qualified scrip shall be redeemed at their face amount; each then-current member shall be returned the amount such member paid for a share of common stock in CCA; and CCA shall distribute its remaining assets to all then-current members, and to any and all non-member patrons and former members with or for which CCA transacted business at any time within the five years preceding the date of liquidation based upon the quality or value of business which CCA did with and for each such then-present member, each such non-member patron and each such former member.

COC has issued preference shares to its members. These shares have attributes similar to the scrip issued by CCA. As of September 30, 2022 there are 8,042,091 preference shares issued and outstanding, with a stated value of $5,132,074, and as of September 30, 2021 there were 8,112,176 preference shares issued and outstanding, with a stated value of $5,128,827. Management believes the Company has sufficient funds available to redeem all the outstanding preference shares of COC.

L) Rebates Due to Members of Affiliated Buying Groups

During the year COC, IDG and FC pay rebates to their members, based on rebate revenue earned from suppliers from which members purchase merchandise, less amounts owed to COC, IDG and FC for services. These payments are reported as "Rebates" in the accompanying consolidated financial statements.

M) Revenue Recognition

A significant portion of the Company's supplier revenue consists of rebates collected by the Company on behalf of its members and franchisees from suppliers from which its members and franchisees purchase merchandise. Rebates are recognized as revenue over time in the period the purchases occur at amounts the Company expects to realize.

Franchise fees are recognized as income upon the commencement of operations by a franchisee. Royalty fees, which are based upon a percentage of the franchisees' sales, are recognized as revenue over time in the period the franchisee sales occur at amounts the Company expects to realize.

Other revenues consist primarily of non-rebate income from suppliers, advertising and marketing revenue, sales of merchandising materials, and franchise and royalty income recognized over time in the period the sales occur at amounts the Company expects to realize.

PMI, which is a company owned franchise, sells floor covering products to businesses and the general public recognized at a point in time when the sale occurs.

Sales and other taxes the Company collects concurrent with revenue producing activities are excluded from the transaction price when determining revenue. The Company has elected to account for shipping and handling as activities to fulfill the promise to transfer goods.

The Company has elected not to adjust the amount of consideration for the effects of a significant financing component for all contracts one year or less.

The Company has elected to apply ASC606 to a portfolio of similar contracts.

N) Advertising and Promotional Expense

Advertising expenses are charged to operations during the year in which they are incurred. Promotion expenses are charged to operations over the period of the promotional campaign.

O) Research and Development Expense

Research and development costs are expensed as incurred.

P) Income Taxes

The Company has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings and believes that no disclosure relative to a provision for income taxes is necessary, at this time, to cover any uncertain tax positions.

The Company and its wholly-owned subsidiaries file a consolidated United States federal income tax return. The Company is taxed as a cooperative under Section 1382 of the Internal Revenue Code, which entitles it to claim a deduction for qualifying patronage dividends.

Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates which are expected to be applied to taxable income in the periods in which the deferred tax liability or asset is expected to be settled or realized. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 pandemic. The CARES Act changed the tax treatment of net operating losses generated in tax years beginning after December 31, 2017 and before January 1, 2021, allowing a five-year carryback to generate a refund of previously paid income taxes. The Company has evaluated the impact of the CARES Act on the tax loss generated for the year ended September 30, 2021 and expects a refund from the NOL carryback of approximately $1,500,000.

Q) Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts and notes receivable, and accounts payable. The Company's estimate of the fair value of these financial instruments approximates their carrying amounts at September 30, 2022 and 2021. Fair value was determined using discounted cash flow analyses and current interest rates for similar instruments. The Company does not hold or issue financial instruments for trading purposes.

R) Notes Receivable from Members

The Company has a loan program for its members whereby members can borrow up to the amount of their scrip balance with the Company for certain purposes. These notes bear interest at 1% below prime when issued and mature in two to five years. The notes are collateralized by the member's scrip balance. Notes receivable is net of allowance for bad debt of $2,153,657 and $2,153,657 at September 30, 2022 and 2021 respectively.

The Company provides financing to members under various loan programs. The notes receivable are primarily for five year terms, bear interest at 3.5% and, in some cases, are secured by assets.

S) Loss Contingencies

The Company accrues for probable losses from contingencies, including legal defense costs, on an undiscounted basis when such costs are considered probable of being incurred and are reasonably estimable. The Company periodically evaluates available information, both internal and external, relative to such contingencies and adjusts this accrual as necessary.

T) Subsequent Events

The Company evaluated all subsequent events through December 2, 2022, the date the consolidated financial statements were available to be issued.

Note 3) INVESTMENTS

Investments consist of the following at September 30, 2022:

	Amortized Cost	Gross Unrealized Gains (Losses)	Fair Value
Investments, at fair value:			
Available for sale			
Money market mutual funds	$62,022,931	$ -	$62,022,931
Certificates of deposit	3,840,350	15,415	3,855,765
Total investments, at fair value	$65,863,281	$ 15,415	$65,878,696
Investments, long-term:			
Held to maturity			
U.S. Treasury bonds	$20,755,794	$ (528,029)	$20,227,765
Federal agency bonds	9,135,052	(256,098)	8,878,954
Certificates of deposit	16,000,085	(406,013)	15,594,072
	45,890,931	(1,190,140)	44,700,791
Cash surrender value of life insurance	6,156,071	-	6,156,071
Total investments, long-term	$52,047,002	$(1,190,140)	$50,856,862

The following is a summary of maturities of securities held-to-maturity as of September 30, 2022:

	Held-to-maturity	
	Amortized Cost	Fair Value
Amounts maturing in:		
One year or less	$21,808,417	$21,624,430
After one year through five years	23,320,394	22,373,955
After five years through ten years	762,120	702,406
Totals	$45,890,931	$44,700,791

Investments consist of the following at September 30, 2021:

	Amortized Cost	Gross Unrealized Gains	Fair Value
Investments, at fair value:			
Available for sale			
Money market mutual funds	$58,160,754	$ -	$58,160,754
Certificates of deposit	3,558,195	7,208	3,565,403
Total investments, at fair value	$61,718,949	$ 7,208	$61,726,157
Investments, long-term:			
Held to maturity			
U.S. Treasury bonds	$ 8,171,855	$ 205,325	$ 8,377,180
Federal agency bonds	7,045,912	100,447	7,146,359
Certificates of deposit	16,773,919	257,662	17,031,581
	31,991,686	563,434	32,555,120
Cash surrender value of life insurance	6,057,565	-	6,057,565
Total investments, long-term	$38,049,251	$ 563,434	$38,612,685

Note 4) FAIR VALUE MEASUREMENT OF ASSETS

The financial assets are valued based upon GAAP fair value hierarchy. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. The Company also uses fair value concepts to test various long-lived assets for impairment.

Fair values of assets measured on a recurring basis are as follows:

	Fair value measurements at reporting date using	
	Fair value	Quoted prices in active markets for identical assets (Level 1)
Assets as of September 30, 2022		
Money market mutual funds	$62,022,931	$62,022,931
Certificates of deposit (a)	3,855,765	-
	$65,878,696	$62,022,931
Assets as of September 30, 2021		
Money market mutual funds	$58,160,754	$58,160,754
Certificates of deposit (a)	3,565,403	-
	$61,726,157	$58,160,754

(a) The certificates of deposit have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the investment line items presented in the balance sheet.

Note 5) NOTES RECEIVABLE

Notes receivable consist of the following:

	September 30, 2022	September 30, 2021
Equity loans, members	$ 1,079,537	$ 1,825,876
Sale of ProSource showrooms	2,153,657	2,153,657
Member expansion notes	1,782,258	2,060,442
New store packages	220,212	1,235,832
Allowance for bad debt	(2,153,657)	(2,153,657)
Notes receivable, net	$ 3,082,007	$ 5,122,150

The following notes receivable were past due as of September 30:

	1-60 days past due	61-90 days past due	90+ days past due	Total past due
2022	$ 67,742	$ 15,974	$ 1,014,825	$ 1,098,541
2021	$ 33,454	$ 21,960	$ 594,379	$ 749,794

Note 6) INVENTORIES

Inventories consist of the following:

	September 30, 2022	September 30, 2021
Goods for resale	$ 1,434,161	$ 1,443,128
Displays and collateral materials	812,035	830,295
	$ 2,246,196	$ 2,273,423

Note 7) PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	September 30, 2022	September 30, 2021
Software	$ 9,811,798	$ 9,233,702
Computer and office equipment	4,365,338	6,145,754
Leasehold improvements	4,370,842	4,355,972
Furniture and equipment	2,134,565	2,131,381
Warehouse equipment	121,933	121,933
	20,804,476	21,988,742
Accumulated depreciation and amortization	(18,482,329)	(19,440,099)
	$ 2,322,147	$ 2,548,643

Note 8) GOODWILL

The gross carrying amount of goodwill and accumulated amortization of goodwill consists of the following at September 30, 2022 and 2021:

	September 30, 2022	September 30, 2021
Goodwill	$ 11,607,548	$ 11,607,548
Accumulated amortization	(9,380,737)	(8,267,333)
Amortization & impairment expense	(2,226,811)	(1,113,404)
Goodwill, net	$ -	$ 2,226,811

The Company evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of goodwill may warrant revision or that the remaining balance may not be recoverable. Management has recorded an impairment of $1,113,404 in 2022.

Note 9) FINANCING AGREEMENT

The Company has a $1,000,000 bank line of credit which matures in July 2023. The interest rate is variable, based on the daily Bloomberg Short-Term Bank Yield Index ("BSBY") rate plus 1.75%. There was no borrowing activity during the years ended September 30, 2022 and 2021.

Note 10) REVENUE AND CONTRACT LIABILITIES

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations:

	Year ended September 30, 2022	Year ended September 30, 2021
Performance obligations satisfied at a point in time	$ 40,544,625	$ 35,486,073
Performance obligations satisfied over time	169,180,477	149,734,934
	$ 209,725,102	$ 185,221,007

Contract liabilities consists mainly of rights granted to members for future good and services. The rights to the future goods and services are earned as a part of the member contracts with the Company. Revenue is deferred and recognized as the goods and services are performed.

	Year ended September 30, 2022	Year ended September 30, 2021
Balance at beginning of year	$ 10,010,030	$ 7,726,869
Increase in liability	11,592,824	9,556,708
Amounts recognized as income	(16,793,226)	(7,273,547)
Balance at end of year	$ 4,809,628	$ 10,010,030

Note 11) EMPLOYEE BENEFITS PLANS

The Company has a 401(k) employee benefit plan. All full-time employees in the U.S. who have completed one full month of service with the Company are eligible to participate in the plan. The Company matches a percentage of employee contributions to the plan up to a maximum dollar amount. The Company's expense was $743,000 for the year ended September 30, 2022, and $712,102 for 2021.

The Company has four Supplemental Executive Retirement Plans ("SERP"s) for certain key executives. These plans are un-funded and non-qualified under U.S. tax law. These SERP obligations were $11,736,611 and $12,025,423 as of September 30, 2022 and 2021 respectively, and are reflected in other liabilities.

The Company carries life insurance policies on its Co-Chief Executive Officers with a total face value of approximately $10,000,000 at September 30, 2022 and at September 30, 2021. These policies had a cash surrender value of $6,156,071 at September 30, 2022 and $6,057,565 at September 30, 2021, which is reflected in investments, long-term.

Note 12) INCOME TAXES

The Company's provision (benefit) for income taxes consists of the following:

	Year ended September 30, 2022	Year ended September 30, 2021
Current:		
Federal	$ 2,531,009	$ (532,595)
State	394,142	129,266
Foreign	(23,982)	37,360
	2,901,169	(365,969)
Deferred:		
Federal	(625,942)	273,877
State	(184,557)	74,810
	(810,499)	348,687
Income tax provision (benefit)	$ 2,090,670	$ (17,282)

The Company's deferred income tax components are primarily due to temporary differences in the deduction of reserves, depreciation, amortization, the treatment of intangibles, deferred compensation, bad debts for book and tax purposes and capitalization of overhead into inventory for tax purposes.

The Company's provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from providing for state income taxes and from deducting certain expenses for financial statement purposes but not for federal income tax purposes, such as non-deductible meals and entertainment expenses and officers' life insurance expense.

The total net deferred tax assets consist of the following:

	September 30, 2022	September 30, 2021
Deferred tax assets	$ 5,476,301	$ 5,203,200
Deferred tax liabilities	1,639,500	2,215,800
Net deferred tax assets	$ 3,836,801	$ 2,987,400

Note 13) OPERATING LEASES

The Company conducts its operations from leased facilities in the United States and Canada under operating leases that expire in varying years from 2023 through 2026. Certain of these leases contain provisions for payment of real estate taxes and operating expenses, and include options to renew. In addition, certain office equipment is leased under operating leases, which expire in varying years from 2023 through 2024. Total rent expense for the year ended September 30, 2022 was $1,193,461. Total rent expense for the year ended September 30, 2021 was $1,186,265.

Future minimum lease payments required under the leases that have remaining non-cancelable terms at September 30, 2022 are as follows:

Years ending September 30,	
2023	$ 1,189,300
2024	583,306
2025	192,591
2026	19,740

Note 14) PAYCHECK PROTECTION PROGRAM LOAN

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The legislation includes provisions for expansion of the U.S. Small Business Administration's 7(a) Loan Program to support the Paycheck Protection Program ("PPP"). The Company was awarded a PPP loan of $6,133,500. On July 15, 2021, the Company received notice that the PPP loan was forgiven in its entirety. The amount is reflected in other income.

Note 15) RELATED PARTY TRANSACTIONS

The Company shares office facilities with FA Cooperative, Inc. ("FA Co-op"), FT Cooperative, Inc. ("FT Co-op"), Innovia CMC, L-1 Cooperative, Inc. ("L-1 Co-op"), Lionsbridge, ProSource Cooperative, Inc. ("PS Co-op"), and TB Co-op, co-ops that possess some common members on their boards of directors with those of the Company, but are not included in these consolidated financial statements. During the year ended September 30, 2022, fees and administrative expenses of $13,795,412 were charged to these other co-ops, and $12,854,641 for the year ended September 30, 2021.

The amounts classified as "Due to affiliates" in the accompanying consolidated balance sheets consist primarily of amounts owed by the Company to FA Co-op, FT Co-op, L-1 Co-op, PS Co-op and TB Co-op for rebates collected on behalf of the co-ops, net of the Company's fees and administrative expenses charged to them.

FA Co-op, FT Co-op, L-1 Co-op, PS Co-op and TB Co-op transfer their cash daily to CCA for management by CCA and receive interest income at market rates.

Several of the Company's directors own memberships and franchises.

Note 16) FLOOREXPO, INC. ("FEI")

Through May 2022, a wholly owned subsidiary, CCA Acquisition, Inc. ("CCAA"), held a non-controlling equity interest in FEI, a marketing and buying group operating within the residential contract segments of the floor covering and cabinet, countertop, decorative plumbing and roofing industries. One of CCA's Co-Chief Executive Officers was a Director of FEI. CCAA's investment in FEI was accounted for on the cost basis.

On May 26, 2022, CCAA sold all of its 281,250 voting common shares in FEI for $9,881,528 in cash. As part of the sale, CCAA received 3,034.35 Class M Units in Local Retail Solutions, LLC ("LRS"), the buyer of the FEI business. CCAA's Class M Units represented approximately 0.18% of the outstanding equity of LRS in May 2022, which CCA valued at $25,000, shown in other assets. LRS and its affiliates manage FEI and other product buying and marketing groups, primarily in consumer appliances and electronics products. The value of the investment on the books was $1,376,622, shown in other assets. CCA recognized a gain of $8,529,906 on the transaction, before income taxes, which is shown in other income.

CCAA may receive additional cash from the FEI sale if certain post-closing targets and requirements are met by FEI. At September 30, 2022, it was not possible to estimate the amount of such additional receipts, if any, and they will be recognized in the year received. In October 2022, CCAA received $195,665 of additional cash from the FEI sale, which has been recognized in the year ending September 30, 2023.

CCA continues to provide certain contract and rebate processing services to FEI in exchange for a service fee. CCA continues to sublease two offices from FEI and its pays rent thereon. Following the sale of CCAA's interest in FEI, CCA's officers have held no management or board of directors positions with FEI or LRS.

Note 17) COMMITMENTS, CONCENTRATIONS AND CONTINGENCIES

The Company has employment agreements with its Co-Chief Executive Officers and other key officers and employees of the Company, which extend for one to five years and are renewable. These agreements provide compensation arrangements and, in certain instances, incentive bonuses. The agreements also include non-compete restrictions for specified time periods subsequent to the individual's termination.

In the normal course of business, the Company has commitments aggregating approximately $2,239,675 at September 30, 2022 relating to convention and trip agreements.

Approximately 4% of the Company's revenues were earned in Canada for the year ended September 30, 2022. At September 30, 2022 assets with a carrying value of $7,050,581 were located in Canada. For the year ended September 30, 2021 approximately 4% of the Company's revenues were earned in Canada. At September 30, 2021 assets with a carrying value of $7,172,149 were located in Canada.

The Company has contracts with its suppliers that are generally one or two years in length. Two suppliers each comprise in excess of 10% of the Company's revenues for the years ended September 30, 2022 and September 30, 2021.

The Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Company defends itself vigorously against such claims. Although the outcome of these matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

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AUDITOR'S CONSENT

As independent certified public accountants, we hereby consent to the use of our report on CCA Global Partners, Inc., as of September 30, 2021, dated November 30, 2021, included in and made part of the franchise application of Leading Edge Marketing, Inc. d/b/a ProSource Wholesale Floorcoverings, filed with the appropriate state authorities in the states requiring registration of the offer of franchise.

We further consent to the inclusion in the Franchise Disclosure Document of Leading Edge Marketing, Inc. d/b/a ProSource Wholesale Floorcoverings, with an issuance date of December 15, 2021 of our report dated November 30, 2021 related to our audit of the financial statements of CCA Global Partners, Inc.

Armanino LLP

ArmaninoLLP
Certified Public Accountants

MOORE
An independent firm associated with Moore Global Network Limited

CCA GLOBAL PARTNERS, INC. AND SUBSIDIARIES

Consolidated Financial Statements

SEPTEMBER 30, 2021 AND 2020

armanino

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Independent Auditor's Report

To the Board of Directors
CCA Global Partners, Inc.

We have audited the accompanying consolidated financial statements of CCA Global Partners, Inc. and Subsidiaries, which comprise the consolidated balance sheet as of September 30, 2021, and the related consolidated statements of comprehensive income (loss), members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MOORE
An independent firm associated with Moore Global Network Limited

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CCA Global Partners, Inc. and Subsidiaries as of September 30, 2021, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of September 30, 2020, were audited by Brown Smith Wallace, LLP, whose practice became part of Armanino^{LLP} as of August 1, 2021, and whose report dated December 4, 2020, expressed an unmodified opinion on those statements.

Armanino^{LLP}
St. Louis, Missouri

November 30, 2021

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
September 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 24,361,733	$ 15,262,850
Investments, at fair value	61,726,157	45,113,519
Accounts receivable, net	28,397,380	26,413,837
Current maturities of notes receivable, net	2,162,526	2,411,962
Inventories	2,273,423	1,122,470
Prepaid expenses	2,463,470	1,805,793
Income taxes receivable	891,754	-
Restricted cash (funds collected for members, insurance program)	43,377,291	31,326,160
Total current assets	165,653,734	123,456,591
Investments, long-term	38,049,251	36,477,054
Notes receivable, net	2,959,624	5,177,517
Property and equipment, net	2,548,643	2,812,713
Deferred income taxes	2,987,400	3,331,200
Goodwill, net	2,226,811	3,340,216
Other assets	1,955,313	1,677,387
	$ 216,380,776	$ 176,272,678

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
September 30, 2021 and 2020

	2021	2020
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,518,692	$ 4,836,728
Accrued expenses	18,541,024	19,649,066
Due to affiliates	6,780,144	4,546,272
Patronage dividends payable to members	14,212,072	10,423,675
Supplemental patronage dividends payable to members	25,843,051	13,039,250
Rebates payable	2,503,930	1,560,820
Income taxes payable	-	804,815
Other deferred revenue	10,010,030	7,726,869
Funds collected for members (insurance program)	43,377,291	31,326,160
Total current liabilities	125,786,234	93,913,655
Other liabilities	12,812,932	13,294,742
Total liabilities	138,599,166	107,208,397
Members' equity:		
Common stock, $1 par value; 150,000 shares authorized; 578 and 585 shares issued and outstanding, respectively	578	585
Additional paid-in capital	622,788	636,781
Retained earnings	22,593,802	13,819,739
Scrip and preference shares	53,992,675	54,238,157
Accumulated other comprehensive income	571,767	369,019
Total members' equity	77,781,610	69,064,281
	$ 216,380,776	$ 176,272,678

See notes to consolidated financial statements.

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended September 30, 2021 and 2020

	2021	2020
Revenues:		
From suppliers	$ 63,556,346	$ 49,540,155
Other programs and services	91,602,360	88,771,410
Sales of merchandise	30,062,301	25,947,341
Total revenues	185,221,007	164,258,906
Operating expenses:		
Rebates	4,446,945	3,242,277
Cost of member revenues	13,580,745	20,138,951
Cost of merchandise sales	22,359,311	19,778,247
General and administrative expenses	87,628,647	82,348,833
Advertising expenses	6,069,614	6,251,952
Total operating expenses	134,085,262	131,760,260
Income from operations	51,135,745	32,498,646
Other income:		
Interest income	863,047	1,675,928
Gain on extinguishment of PPP loan (Note 15)	6,133,500	-
Other income	2,264,497	425,234
Total other income	9,261,044	2,101,162
Income before dividends and income taxes	60,396,789	34,599,808
Patronage dividends:		
Allocated in cash	34,274,519	22,665,456
Allocated in scrip and preference shares	19,688,770	11,934,352
Total patronage dividends	53,963,289	34,599,808
Income before income taxes	6,433,500	-
Income tax provision (benefit)	(17,282)	330,060
Net income (loss)	6,450,782	(330,060)
Comprehensive income (loss):		
Foreign currency translation	202,748	28,066
Comprehensive income (loss)	$ 6,653,530	$ (301,994)

See notes to consolidated financial statements.

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF MEMBERS' EQUITY
For the year ended September 30, 2021

	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Canadian Preference Shares	Scrip	Accumulated Other Comprehensive Income
Balance at September 30, 2020	$ 69,064,281	$ 585	$ 636,781	$ 13,819,739	$ 5,105,426	$ 49,132,731	$ 369,019
Adoption of FASB ASC 606	2,323,281			2,323,281			
Comprehensive income:							
Net income	6,450,782			6,450,782			
Other comprehensive income	202,748						202,748
Total comprehensive income	6,653,530	-	-	6,450,782	-	-	202,748
Issuance of 13 shares of common stock at $2,000 per share	26,000	13	25,987				
Acquisition of 20 shares of common stock at $2,000 per share	(40,000)	(20)	(39,980)				
Scrip redeemed	(2,115,425)				(119,953)	(1,995,472)	
Scrip to be redeemed	(17,818,827)				(920,532)	(16,898,295)	
Patronage dividends allocated in scrip and preference shares	19,688,770				1,063,886	18,624,884	
Balance at September 30, 2021	$ 77,781,610	$ 578	$ 622,788	$ 22,593,802	$ 5,128,827	$ 48,863,848	$ 571,767

See notes to consolidated financial statements.

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF MEMBERS' EQUITY
For the year ended September 30, 2020

	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Canadian Preference Shares	Scrip	Accumulated Other Comprehensive Income
Balance at September 30, 2019	$ 69,915,333	$ 596	$ 658,770	$ 14,149,799	$ 5,092,707	$ 49,672,508	$ 340,953
Comprehensive loss:							
Net loss	(330,060)			(330,060)			
Other comprehensive income	28,066						28,066
Total comprehensive loss	(301,994)	-	-	(330,060)	-	-	28,066
Issuance of 6 shares of common stock at $2,000 per share	12,000	6	11,994				
Acquisition of 17 shares of common stock at $2,000 per share	(34,000)	(17)	(33,983)				
Scrip redeemed	(1,637,153)				(73,945)	(1,563,208)	
Scrip to be redeemed	(10,824,257)				(476,234)	(10,348,023)	
Patronage dividends allocated in scrip and preference shares	11,934,352				562,898	11,371,454	
Balance at September 30, 2020	$ 69,064,281	$ 585	$ 636,781	$ 13,819,739	$ 5,105,426	$ 49,132,731	$ 369,019

See notes to consolidated financial statements.

CCA GLOBAL PARTNERS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Net income (loss)	$ 6,450,782	$ (330,060)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Patronage dividends allocated in cash	26,251,466	20,454,587
Supplemental patronage cash dividends	8,023,053	2,210,870
Patronage dividends allocated in scrip and preference shares	19,465,431	11,924,260
Depreciation	1,377,781	1,265,623
Amortization of goodwill	1,113,404	1,113,404
Gain on extinguishment of PPP loan	(6,133,500)	-
Change in (benefit) provision for deferred income taxes	348,687	(967,623)
(Increase) decrease in operating assets:		
Accounts and notes receivable, net	(2,067,392)	(782,111)
Inventories	(1,150,957)	824,926
Prepaid expenses and other	(655,246)	(689,506)
Income tax receivable	(891,704)	-
Increase (decrease) in operating liabilities:		
Accounts payable	(320,450)	(1,790,591)
Accrued expenses	5,022,245	(348,555)
Due to affiliates	2,233,872	(246,315)
Income tax payable	(804,931)	1,252,615
Rebates payable	891,749	(371,041)
Other deferred revenue	2,282,577	1,771,424
Other current liabilities	(481,895)	767,862
Funds collected for members (insurance program)	12,051,131	5,361,796
Total adjustments	66,555,321	41,751,625
Cash, cash equivalents, and restricted cash provided by operating activities	73,006,103	41,421,565
Cash flows from (used by) investing activities:		
Proceeds from sales of investments	51,416,601	66,932,508
Purchases of investments	(69,453,996)	(54,652,516)
Issuance of notes receivable	(1,049,450)	(2,185,497)
Cash collected on notes receivable	5,962,238	3,166,467
Purchases of property and equipment	(1,113,711)	(820,731)
Purchases of other assets	(277,635)	(239,848)
Cash, cash equivalents, and restricted cash provided (used by) investing activities	(14,515,953)	12,200,383
Cash flows from (used by) financing activities:		
Patronage dividends paid	(35,340,509)	(39,055,257)
Proceeds from issuance of common stock	26,000	12,000
Cash payments for acquisition of common stock	(40,000)	(34,000)
Scrip redeemed	(2,089,815)	(1,635,328)
Proceeds from PPP loan	-	6,133,500
Cash, cash equivalents, and restricted cash from (used by) financing activities	(37,444,324)	(34,579,085)
Effect of changes in foreign currency exchange rate	104,188	10,218
Net increase in cash, cash equivalents, and restricted cash	21,150,014	19,053,081
Cash, cash equivalents, and restricted cash, beginning of year	46,589,010	27,535,929
Cash, cash equivalents, and restricted cash, end of year	$ 67,739,024	$ 46,589,010

Note 1) OPERATIONS

CCA Global Partners, Inc. ("CCA") is a cooperative owned by its members, which are located throughout the United States and Canada. CCA provides its members, licensees, franchisees and affiliated companies with management and marketing services, including product negotiation and specification, branding, advertising planning and placement, training, and systems. CCA's largest division is Carpet One Floor & Home, whose members are independent, full-service floor covering retailers.

Carpet One Canada, Inc. ("COC") deals primarily in the sale of COC franchises located throughout Canada. Franchisees own and operate Carpet One Floor & Home showrooms, selling floor coverings and related materials to the general public. In addition, each franchisee is a member of CCA.

Leading Edge Marketing, Inc. d/b/a/ ProSource Wholesale Floorcoverings ("ProSource") deals primarily in the sale and operation of ProSource franchises located throughout the United States and Canada. Franchisees own and operate ProSource showrooms, selling floor coverings and related materials, generally to businesses that resell such floor coverings to their customers. ProSource Management, Inc. ("PMI") is a wholly owned subsidiary of ProSource that operates showrooms in greater St. Louis, Missouri.

FA Management Enterprises, Inc. ("FA") is a marketing affiliation organization, with members throughout the United States. Members own and operate Flooring America showrooms, selling floor coverings and related materials to the general public. Flooring Canada ("FC") is a marketing affiliation organization with members throughout Canada. Members own and operate Flooring Canada showrooms, selling floor coverings and related materials to the general public.

FT Management Company ("FT") offers Stone Mountain, GCO and Floor Trader memberships located throughout the United States. FT members own and operate Stone Mountain, GCO or Floor Trader showrooms, selling floor coverings and related materials to the general public.

IDG Management Company operates International Design Guild ("IDG"), a marketing affiliation organization with members throughout the United States.

Lighting One, L.L.C. ("L1") is a marketing affiliation organization, with members throughout the United States and Canada. Members own and operate Lighting One showrooms selling lighting products to the general public.

Global Partners Management, LLC ("GPM") has a division, The Bike Cooperative ("TB Co-op"), which provides marketing and other services to its members who own and operate retail bicycle stores throughout the United States. GPM has a second division, CCA Sports Retail Services, which provides marketing and other services to its members who own and operate retail bicycle stores and fitness stores throughout the United States.

Parallel Concepts, Inc. ("PCI") assists members and franchisees of the Company in procuring insurance products.

Lionsbridge Contractor Group Cooperative ("Lionsbridge") is a cooperative which provides insurance leads and other services to general contractors who are members of the cooperative. Lionsbridge is managed by CCA.

Community Management Cooperative ("Innovia CMC") is a cooperative which provides products and services to members that manage homeowner and condominium associations. Innovia CMC is managed by CCA.

CCA holds a non-controlling equity interest in FloorExpo, Inc. ("FEI"), which is a marketing and buying group operating within the residential contract segments of the floor covering and cabinet, countertop, decorative plumbing and roofing industries. One of CCA's Co-Chief Executive Officers is a Director of FEI. CCA provides certain services to FEI, and CCA subleases office space from FEI. CCA's investment in FEI is accounted for on the cost basis.

Note 2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of Consolidation

The consolidated financial statements include the accounts of CCA and its wholly owned subsidiaries: COC, ProSource, FT, IDG, FA, FC, L1, GPM, PCI, Lionsbridge and Innovia CMC (collectively, the "Company"). All significant intercompany transactions have been eliminated in consolidation.

B) Use of Estimates

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

C) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The consolidated financial statements reflect dividends allocated in scrip and preference shares to members, which are non-cash items.

D) Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of concentrations of cash in banks. Accounts receivable is net of allowance for doubtful accounts of $325,144 and $2,049,432 at September 30, 2021 and 2020 respectively.

These receivables consist primarily of rebates and contributions due from suppliers from which the Company's members and franchisees make purchases and amounts due from members and franchisees for merchandise sold to them, and for franchise fees. The

allowance is based on management's assessment of the collectability of receivables taking into consideration the age of past due accounts and the customer's ability to pay. The Company generally does not require collateral to secure its receivables from suppliers. Member accounts receivable and notes receivable are generally collateralized by each member's patronage dividends, rebates, and scrip and preference shares.

E) Foreign Currency Adjustments

The consolidated financial statements of subsidiaries outside the United States are measured using the local currency as the functional currency. Assets and liabilities are translated at the rates of exchange at the balance sheet date. Income and expense items are translated at average rates of exchange for the period. The resultant translation adjustments are included in accumulated other comprehensive income, a separate component of members' equity. Realized gains and losses from foreign currency transactions of these subsidiaries are included in net income.

F) Investments

Investment securities are classified within the consolidated financial statements based upon the intent of management. Available for sale investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date. Marketable debt securities are classified as held-to-maturity when management determines there exists the positive intent and ability to hold the securities to maturity. Securities classified as held-to-maturity are carried at amortized cost. Certificates of deposit with remaining maturities greater than one year are classified as investments, long-term. Cost method investments are recorded at their historical cost and examined for impairment on an annual basis. Dividends received from these investments are recorded as dividend income with no change to the investment balance.

G) Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

H) Property and Equipment

Property and equipment are stated at cost and are depreciated or amortized primarily on a straight-line basis based upon the following estimated useful lives:

Furniture and equipment	7 years
Computer and office equipment	3 to 7 years
Software	3 years
Warehouse equipment	5 years
Leasehold improvements	Lease lives, which range from 1 to 5 years

Expenditures for maintenance and repairs are charged to operations as incurred, while renewals and betterments, which extend the useful lives of the assets, are capitalized.

Upon retirement or disposal, the cost of assets and related accumulated depreciation is removed from the accounts and any resulting gain or loss is included in earnings. Depreciation expense was $1,377,781 for the year ended September 30, 2021 and $1,265,623 for the year ended September 30, 2020.

I) Goodwill

Goodwill represents the excess of the acquisition price over fair value of net assets acquired through business combinations. The Company amortizes goodwill on a straight-line basis over a 10 year period, unless a shorter period can be demonstrated to be applicable. When events or circumstances indicate that goodwill may be impaired, goodwill is tested for impairment at the entity level. Impairment, if any, will be recognized for the difference between the fair value of the Company and its carrying amount and will be limited to the carrying amount of goodwill.

J) National Advertising Funds

The Company receives funds from its members and certain suppliers to conduct national advertising and promotion campaigns benefiting members. Expenditures are offset against these funds as they occur.

K) Members' Equity, Patronage Dividends Payable, Other Comprehensive Income

CCA allocates to its members patronage dividends in cash and scrip, based upon a percentage of rebates earned from suppliers from which members purchase merchandise. CCA is obligated to pay income taxes on its non-patronage source income. Each member's scrip is subject to redemption at face value, upon liquidation, upon resignation, including the sale of their membership, or at CCA's option, at any time in the future. Scrip is reported as a component of members' equity. During the year ended September 30, 2021, CCA redeemed $2,115,425 in scrip previously allocated, and accrued as a liability $17,818,827 of scrip that will be redeemed as part of scrip allocated for the year ended September 30, 2021. During the year ended September 30, 2020, CCA redeemed $1,637,153 in scrip previously allocated, and accrued as a liability $10,824,257 of scrip that was redeemed as part of scrip allocated for the year ended September 30, 2020.

Upon liquidation of CCA, any outstanding qualified scrip shall be redeemed at their face amount; each then-current member shall be returned the amount such member paid for a share of common stock in CCA; and CCA shall distribute its remaining assets to all then-current members, and to any and all non-member patrons and former members with or for which CCA transacted business at any time within the five years preceding the date of liquidation based upon the quality or value of business which CCA did with and for each such then-present member, each such non-member patron and each such former member.

COC has issued preference shares to its members. These shares have attributes similar to the scrip issued by CCA. As of September 30, 2021 there are 8,112,176 preference shares issued and outstanding, with a stated value of $5,128,827, and as of September 30, 2020 there were 7,550,847 preference shares issued and outstanding, with a stated

value of $5,105,426. Management believes the Company has sufficient funds available to redeem all the outstanding preference shares of COC.

L) Rebates Due to Members of Affiliated Buying Groups

During the year COC, IDG and FC pay rebates to their members, based on rebate revenue earned from suppliers from which members purchase merchandise, less amounts owed to COC, IDG and FC for services. These payments are reported as "Rebates" in the accompanying consolidated financial statements.

M) Revenue Recognition

A significant portion of the Company's supplier revenue consists of rebates collected by the Company on behalf of its members and franchisees from suppliers from which its members and franchisees purchase merchandise. Rebates are recognized as revenue over time in the period the purchases occur at amounts the Company expects to realize.

Franchise fees are recognized as income upon the commencement of operations by a franchisee. Royalty fees, which are based upon a percentage of the franchisees' sales, are recognized as revenue over time in the period the franchisee sales occur at amounts the Company expects to realize.

Other revenues consist primarily of non-rebate income from suppliers, advertising and marketing revenue, sales of merchandising materials, and franchise and royalty income recognized over time in the period the sales occur at amounts the Company expects to realize.

PMI, which is a company owned franchise, sells floor covering products to businesses and the general public recognized at a point in time when the sale occurs.

Sales and other taxes the Company collects concurrent with revenue producing activities are excluded from the transaction price when determining revenue. The Company has elected to account for shipping and handling as activities to fulfill the promise to transfer goods.

The Company has elected not to adjust the amount of consideration for the effects of a significant financing component for all contracts one year or less.

The Company has elected to apply ASC606 to a portfolio of similar contracts.

N) Advertising and Promotional Expense

Advertising expenses are charged to operations during the year in which they are incurred. Promotion expenses are charged to operations over the period of the promotional campaign.

O) Research and Development Expense

Research and development costs are expensed as incurred.

P) Income Taxes

The Company has evaluated its tax positions, expiring statutes of limitations, changes in tax law and new authoritative rulings and believes that no disclosure relative to a provision for income taxes is necessary, at this time, to cover any uncertain tax positions.

The Company and its wholly-owned subsidiaries file a consolidated United States federal income tax return. The Company is taxed as a cooperative under Section 1382 of the Internal Revenue Code, which entitles it to claim a deduction for qualifying patronage dividends.

Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates which are expected to be applied to taxable income in the periods in which the deferred tax liability or asset is expected to be settled or realized. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 pandemic. The CARES Act changes the tax treatment of net operating losses generated in tax years beginning after December 31, 2017 and before January 1, 2021, allowing a five-year carryback to generate a refund of previously paid income taxes. The Company is currently evaluating the impact of the CARES Act on the tax loss generated in the current year, and expects that these NOL carryback provisions would result in a cash benefit of approximately $700,000.

Q) Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts and notes receivable, and accounts payable. The Company's estimate of the fair value of these financial instruments approximates their carrying amounts at September 30, 2021 and 2020. Fair value was determined using discounted cash flow analyses and current interest rates for similar instruments. The Company does not hold or issue financial instruments for trading purposes.

R) Presentation of Certain Taxes

The Company collects various taxes from customers and remits these amounts to applicable taxing authorities. The Company has elected to exclude these taxes from sales and cost of sales.

S) Notes Receivable from Members

The Company has a loan program for its members whereby members can borrow up to the amount of their scrip balance with the Company for certain purposes. These notes bear interest at 1% below prime when issued and mature in two to five years. The notes are collateralized by the member's scrip balance. Notes receivable is net of allowance for bad debt of $2,153,657 and $2,438,321 at September 30, 2021 and 2020 respectively.

The Company provides financing to members under various loan programs. The notes receivable are primarily for five year terms, bear interest at 3.5% and, in some cases, are secured by assets.

T) Loss Contingencies

The Company accrues for probable losses from contingencies, including legal defense costs, on an undiscounted basis when such costs are considered probable of being incurred and are reasonably estimable. The Company periodically evaluates available information, both internal and external, relative to such contingencies and adjusts this accrual as necessary.

U) Subsequent Events

The Company evaluated all subsequent events through November 30, 2021, the date the consolidated financial statements were available to be issued.

Note 3) ADOPTION OF NEW ACCOUNTING STANDARD

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the new standard effective October 1, 2020, the first day of the Company's fiscal year using the modified retrospective approach.

As part of the adoption of the ASU, the Company elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption resulted in an increase to beginning retained earnings of $2,323,281 as of October 1, 2020.

Note 4) INVESTMENTS

Investments consist of the following at September 30, 2021:

	Amortized Cost	Gross Unrealized Gains	Fair Value
Investments, at fair value:			
Available for sale			
Money market mutual funds	$58,160,754	$ -	$58,160,754
Certificates of deposit	3,558,195	7,208	3,565,403
Total investments, at fair value	$61,718,949	$ 7,208	$61,726,157
Investments, long-term:			
Held to maturity			
U.S. Treasury bonds	$ 8,171,855	$ 205,325	$ 8,377,180
Federal agency bonds	7,045,912	100,447	7,146,359
Certificates of deposit	16,773,919	257,662	17,031,581
	31,991,687	563,434	32,555,120
Cash surrender value of life insurance	6,057,565	-	6,057,565
Total investments, long-term	$38,049,251	$ 563,434	$38,612,685

The following is a summary of maturities of securities held-to-maturity as of September 30, 2021:

	Held-to-maturity	
	Amortized Cost	Fair Value
Amounts maturing in:		
One year or less	$10,803,450	$10,880,064
After one year through five years	20,250,520	20,630,724
After five years through ten years	937,716	1,044,332
Totals	$31,991,687	$32,555,120

Investments consist of the following at September 30, 2020:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investments, at fair value:				
Available for sale				
Money market mutual funds	$42,071,878	$ -	$ -	$42,071,878
Certificates of deposit	3,018,520	23,121	-	3,041,641
Total investments, at fair value	$45,090,398	$ 23,121	$ -	$45,113,519
Investments, long-term:				
Held to maturity				
U.S. Treasury bonds	$ 7,244,813	$ 400,200	$ -	$ 7,645,013
Federal agency bonds	4,045,249	161,173	(2,241)	4,204,181
Certificates of deposit	19,722,730	591,447	-	20,314,177
	31,012,792	1,152,820	(2,241)	32,163,371
Cash surrender value of life insurance	5,464,262	-	-	5,464,262
Total investments, long-term	$36,477,054	$ 1,152,820	$ (2,241)	$37,627,633

Note 5) FAIR VALUE MEASUREMENT OF ASSETS

The financial assets are valued based upon GAAP fair value hierarchy. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. The Company also uses fair value concepts to test various long-lived assets for impairment.

Fair values of assets measured on a recurring basis are as follows:

	Fair value measurements at reporting date using	
	Fair value	Quoted prices in active markets for identical assets (Level 1)
Assets as of September 30, 2021		
Money market mutual funds	$58,160,754	$58,160,754
Certificates of deposit (a)	3,565,403	-
	$61,726,157	$58,160,754
Assets as of September 30, 2020		
Money market mutual funds	$42,071,878	$42,071,878
Certificates of deposit (a)	3,041,641	-
	$45,113,519	$42,071,878

(a) The certificates of deposit have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the investment line items presented in the balance sheet.

Note 6) NOTES RECEIVABLE

Notes receivable consist of the following:

	September 30, 2021	September 30, 2020
Equity loans, members	$ 1,825,876	$ 2,801,630
Sale of ProSource showrooms	2,153,657	2,153,657
Member expansion notes	2,060,442	3,960,065
New store packages	1,235,832	1,112,448
Allowance for bad debt	(2,153,657)	(2,438,321)
Notes Receivable, Net	$ 5,122,150	$ 7,589,479

The following notes receivable were past due as of September 30:

	1-60 days past due	61-90 days past due	90+ days past due	Total past due
2021	$ 133,454	$ 21,960	$ 594,379	$ 749,794
2020	$ 19,492	$ 4,021	$ 179,618	$ 203,131

Note 7) INVENTORIES

Inventories consist of the following:

	September 30, 2021	September 30, 2020
Goods for resale	$ 1,443,128	$ 916,615
Displays and collateral materials	830,295	205,855
	$ 2,273,423	$ 1,122,470

Note 8) PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	September 30, 2021	September 30, 2020
Furniture and equipment	$ 2,131,381	$ 2,102,253
Computer and office equipment	6,145,754	5,867,651
Warehouse equipment	121,933	121,933
Software	9,233,702	8,584,670
Leasehold improvements	4,355,972	4,183,722
	21,988,742	20,860,229
Accumulated depreciation and amortization	(19,440,099)	(18,047,516)
	$ 2,548,643	$ 2,812,713

Note 9) GOODWILL

The gross carrying amount of goodwill and accumulated amortization of goodwill consists of the following at September 30, 2021 and 2020:

	September 30, 2021	September 30, 2020
Goodwill	$ 11,607,548	$ 11,607,548
Accumulated amortization	(8,267,333)	(7,153,928)
Amortization expense	(1,113,404)	(1,113,404)
Goodwill, net	$ 2,226,811	$ 3,340,216

Estimated annual amortization expense over the next two years is $1,113,405.

The Company evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of goodwill may warrant revision or that the remaining balance may not be recoverable. Management determined there were no triggering events which would require impairment testing for the year ended September 30, 2021. In the opinion of management, no material impairment of goodwill existed as of September 30, 2021.

Note 10) FINANCING AGREEMENT

The Company has a $1,000,000 bank line of credit which matures in July 2022. The interest rate is variable, based on the daily LIBOR rate plus 1.75%. There was no borrowing activity during the years ended September 30, 2021 and 2020.

Note 11) REVENUE AND CONTRACT LIABILITIES

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations:

	Year ended September 30, 2021	Year ended September 30, 2020
Performance obligations satisfied at a point in time	$ 35,486,073	$ 35,874,487
Performance obligations satisfied over time	149,734,934	128,384,422
	$ 185,221,007	$ 164,258,906

Contract liabilities consists mainly of rights granted to members for future good and services. The rights to the future goods and services are earned as a part of the member contracts with the Company. Revenue is deferred and recognized as the goods and services are performed.

	Year ended September 30, 2021	Year ended September 30, 2020
Balance at beginning of year	$ 7,726,869	$ 5,955,495
Increase in liability	9,556,708	13,956,050
Amounts recognized as income	(7,273,547)	(12,184,676)
Balance at end of year	$ 10,010,030	$ 7,726,869

Note 12) EMPLOYEE BENEFITS PLANS

The Company has a 401(k) employee benefit plan. All full-time employees in the U.S. who have completed one full month of service with the Company are eligible to participate in the plan. The Company matches a percentage of employee contributions to the plan up to a maximum dollar amount. The Company's expense was $712,102 for the year ended September 30, 2021, and $749,425 for 2020.

The Company has four Supplemental Executive Retirement Plans ("SERP"s) for certain key executives. These plans are un-funded and non-qualified under U.S. tax law. These SERP obligations were $12,025,423 and $11,854,451 as of September 30, 2021 and 2020 respectively, and are reflected in other liabilities.

The Company carries life insurance policies on its Co-Chief Executive Officers with a total face value of approximately $10,000,000 at September 30, 2021 and at September 30, 2020. These policies had a cash surrender value of $6,057,565 at September 30, 2021 and $5,924,605 at September 30, 2020, which is reflected in investments, long-term.

Note 13) INCOME TAXES

The Company's provision (benefit) for income taxes consists of the following:

	Year ended September 30, 2021	Year ended September 30, 2020
Current:		
Federal	$ (532,595)	$ 1,052,099
State	129,266	288,907
Foreign	37,360	(43,323)
	(365,969)	1,297,683
Deferred:		
Federal	273,877	(908,889)
State	74,810	(58,734)
	348,687	(967,623)
Income tax (benefit) expense	$ (17,282)	$ 330,060

The Company's deferred income tax components are primarily due to temporary differences in the deduction of reserves, depreciation, amortization, the treatment of intangibles, deferred compensation, bad debts for book and tax purposes and capitalization of overhead into inventory for tax purposes.

The Company's provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from providing for state income taxes and from deducting certain expenses for financial statement purposes but not for federal income tax purposes, such as non-deductible meals and entertainment expenses and officers' life insurance expense.

The total deferred tax assets consist of the following:

	September 30, 2021	September 30, 2020
Deferred tax assets	$ 5,203,200	$ 5,610,500
Deferred tax liabilities	2,215,800	2,279,300
Net deferred tax assets	$ 2,987,400	$ 3,331,200

Note 14) OPERATING LEASES

The Company conducts its operations from leased facilities in the United States and Canada under operating leases that expire in varying years from 2022 through 2026. Certain of these leases contain provisions for payment of real estate taxes and operating expenses, and include options to renew. In addition, certain office equipment is leased under operating leases, which expire in varying years from 2022 through 2024. Total rent expense for the year ended September 30, 2021 was $1,186,265. Total rent expense for the year ended September 30, 2020 was $1,319,802.

Future minimum lease payments required under the leases that have remaining non-cancelable terms at September 30, 2021 are as follows:

Years ending September 30,	
2022	$ 1,189,766
2023	1,177,253
2024	583,993
2025	192,591
2026	19,740

Note 15) PAYCHECK PROTECTION PROGRAM LOAN

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The legislation includes provisions for expansion of the U.S. Small Business Administration's 7(a) Loan Program to support the Paycheck Protection Program ("PPP"). The Company was awarded a PPP loan of $6,133,500. The PPP loan bears interest at 1%, is unsecured, and all unpaid principal and interest shall be due upon maturity on April 18, 2022, if not forgiven.

On July 15, 2021, the Company received notice that the PPP loan was forgiven in its entirety. The amount is reflected in other income.

Note 16) RELATED PARTY TRANSACTIONS

The Company shares office facilities with FA Cooperative, Inc. ("FA Co-op"), FT Cooperative, Inc. ("FT Co-op"), Innovia CMC, L-1 Cooperative, Inc. ("L-1 Co-op"), Lionsbridge, ProSource Cooperative, Inc. ("PS Co-op"), and TB Co-op, co-ops that possess some common members on their boards of directors with those of the Company, but are not included in these consolidated financial statements. During the year ended September 30, 2021, fees and administrative expenses of $12,854,641 were charged to these other co-ops, and $11,662,213 for the year ended September 30, 2020.

The amounts classified as "Due to affiliates" in the accompanying consolidated balance sheets consist primarily of amounts owed by the Company to FA Co-op, FT Co-op, L-1 Co-op, PS Co-op and TB Co-op for rebates collected on behalf of the co-ops, net of the Company's fees and administrative expenses charged to them.

FA Co-op, FT Co-op, L-1 Co-op, PS Co-op and TB Co-op transfer their cash daily to CCA for management by CCA and receive interest income at market rates.

Several of the Company's directors own memberships and franchises. During 2017, the Company loaned $1,500,000 at 3.5% to a member of the board of directors related to showroom expansion. The balance of the loan was collected during the year ended September 30, 2021. The loan balance was $382,022 at September 30, 2020.

Note 17) COMMITMENTS, CONCENTRATIONS AND CONTINGENCIES

The Company has employment agreements with its Co-Chief Executive Officers and other key officers and employees of the Company, which extend for one to five years and are renewable. These agreements provide compensation arrangements and, in certain instances, incentive bonuses. The agreements also include non-compete restrictions for specified time periods subsequent to the individual's termination.

In the normal course of business, the Company has commitments aggregating approximately $2,629,046 at September 30, 2021 relating to convention and trip agreements.

Approximately 4% of the Company's revenues were earned in Canada for the year ended September 30, 2021. At September 30, 2021 assets with a carrying value of $7,172,149 were located in Canada. For the year ended September 30, 2020 approximately 4% of the Company's revenues were earned in Canada. At September 30, 2020 assets with a carrying value of $6,096,250 were located in Canada.

The Company has contracts with its suppliers that are generally one or two years in length. Two suppliers each comprise in excess of 10% of the Company's revenues for the years ended September 30, 2021 and September 30, 2020.

The Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Company defends itself vigorously against such claims. Although the outcome of these matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

EXHIBIT C

FRANCHISE AGREEMENT

for

PROSOURCE® WHOLESALE SHOWROOM

City, State/Province

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PROSOURCE® WHOLESALE SHOWROOM
FRANCHISE AGREEMENT

Commencement Date _____, 202___
(to be inserted by Franchisor)

Expiration Date _____, _____
(to be inserted by Franchisor)

THIS FRANCHISE AGREEMENT ("Agreement") is made and entered into by and between LEADING EDGE MARKETING, INC., a Missouri corporation d/b/a PROSOURCE WHOLESALE® and/or PROSOURCE®, with its principal place of business located at 4301 Earth City Expressway, St. Louis, Missouri 63045-1334 (the "Franchisor") and

_____
(an individual) (a corporation) (a partnership) (a limited liability company) (other) **[circle one]**,

doing business as ProSource of _____,
(the "Franchisee"), whose mailing address is:

_____.

The premises of this Agreement are as follows:

1. Franchisor has invested a significant amount of resources and effort in developing and refining the ProSource® System, which may be changed, improved and further developed from time to time by Franchisor (capitalized terms are, unless otherwise provided, defined in Section 17); and

2. Franchisor has developed and owns and may hereafter develop and own, or is licensed to use, the ProSource® Marks in connection with the name, goods and services of the ProSource® System; and

3. Franchisor has established a nationwide franchise system utilizing the ProSource® System, and the ProSource® Marks for selling floorcoverings, Kitchen & Bath Products and other related materials; and

4. Franchisee has fully investigated the ProSource® System, including performing all necessary due diligence, and after such investigation now desires to obtain from Franchisor the right to operate a ProSource® Showroom upon the terms and conditions set forth hereinafter; and

5. Franchisor desires to grant to Franchisee the right to operate a ProSource® Showroom upon the terms and conditions set forth hereinafter.

NOW, THEREFORE, in consideration of the foregoing premises, all of which are incorporated herein, the mutual agreements, covenants and undertakings set forth hereinafter, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Franchisor and Franchisee hereby agree as follows:

1. Grant of Franchise

1.1 Franchise Grant. Franchisor hereby grants to Franchisee, and Franchisee hereby accepts from Franchisor, upon and subject to all the terms and conditions hereinafter set forth (i) the right to operate a ProSource® Showroom (the "Franchise") within the Area, and (ii) a non-exclusive license to use in the operation of the Franchise within the Area, and only in the operation of the Franchise within the Area, but not to license, sub-license, encumber or assign to any other individual or entity, the Marks, Know-How, Confidential Information and assistance and advice from Franchisor.

1.2 Limitation of Grant. The Franchise hereby granted to Franchisee is subject to any and all applicable Laws. Franchisor may unilaterally make any changes in the Franchise, the ProSource System and/or this Agreement necessary to assure compliance of the Franchise with applicable Laws and Franchisor shall not be liable to Franchisee for any change in the scope or grant of the Franchise and/or this Agreement due to changes in Laws or the necessity to comply with applicable Laws.

1.3 Reservation of Franchisor's Rights. Franchisor hereby reserves the right, regardless of proximity to, or competitive impact on, the Franchise, (i) to open and operate Franchisor-owned ProSource Showrooms or grant to other franchisees the right to establish and operate ProSource Showrooms anywhere outside the Area; (ii) to develop, market and sell any product or service or own or operate any other business (which may be a similar business) under any trademark, service mark or trade name belonging to Franchisor, or of which Franchisor has rights therein, which may be similar to or the same as the Marks, outside the Area through one or more distribution channels including without limitation, distributors, franchisees, dealers, e-commerce through the Internet or any other form of electronic commerce (e.g. social media, applications and the metaverse), retail outlets, and catalog or mail-order business; (iii) to develop, market and sell any product or service or own or operate any other business, (which may be a similar business) under any trademark, service mark or trade name belonging to Franchisor, or of which Franchisor has rights therein, other than the Marks, inside the Area through one or more distribution channels including without limitation, distributors, dealers, franchisees, e-commerce through the Internet or any other form of electronic commerce (e.g. social media, applications and the metaverse), retail outlets, and catalog or mail-order business; (iv) if Franchisee fails to meet or exceed the Base Market Share as provided in Section 3.3 below, to exercise any or all of the rights reserved above in subparagraphs (i) and (ii) of this Section 1.3 within the Area; and (v) to develop, market and sell products or services in a different market segment other than floorcovering and Kitchen & Bath Products and related products under any trademark, service mark or trade name belonging to Franchisor, or of which Franchisor has rights therein, which may be similar to or the same as the Marks, within the Area or outside the Area through one or more distribution channels including without limitation, distributors, franchisees, dealers, retail outlets, e-commerce through the Internet or any other form of electronic commerce (e.g. social media, applications and the metaverse) and catalog or mail-order business, on terms to be established by Franchisor (which may include without limitation different or additional royalty and advertising obligations, terms on territorial rights, and other terms and conditions suitable for such different market segment or industry), and provided that so long as Franchisee meets or exceeds the Base Market Share and Franchisee is not then in default of its obligations under this Franchise Agreement, Franchisee shall have a right of first refusal to participate in such different market segment product or service business on the terms set forth by Franchisor.

Franchisee does not receive options, rights of first refusal or any similar rights to acquire additional franchises within the Area or in areas contiguous to, adjacent to, or otherwise near the Area or elsewhere. In addition to the foregoing, Franchisee acknowledges that Franchisor's Affiliates, as they exist as of the date hereof and as they may hereafter exist, including without limitation, CCA Global Partners, Inc. d/b/a "Carpet One Floor & Home®" ("CCA"), FT Management Company d/b/a "The Floor

Trader®", FA Management Enterprises, Inc., d/b/a "Flooring America®" and "Flooring Canada®", "International Design Guild®", ~~Floor Expo, Inc.® d/b/a "Home Solutions", "Multi-Family Solutions", "KBx" and "K&B Alliance"~~ and Lighting One, LLC d/b/a "Lighting One®" may own, operate, establish, license or franchise wholesale and/or retail businesses within the Area or in close proximity to the Area (either presently or in the future) that sell floor coverings, Kitchen & Bath Products or other products offered by a ProSource Showroom under a different tradename than the tradename used in the ProSource System and may compete with the Franchise. Franchisee further acknowledges that (i) Franchisor may, now or in the future, sell floorcoverings and/or Kitchen &Bath Products by mail, over the internet or any other form of electronic commerce (e.g. social media, applications and the metaverse) and by telemarketing, which sales may be made to parties physically located within Franchisee's Area and may compete with Franchisee's Showroom, and for which Franchisor shall not be obligated to pay Franchisee any compensation, and (ii) Franchisor and/or Franchisor's Affiliates may continue to develop and acquire floor covering and/or kitchen and bath concepts within the Area, and (iii) Franchisor and other franchisees and/or Franchisor's Affiliates may now or in the future engage in non-wholesale floor covering and/or Kitchen & Bath Product businesses or other businesses in the Area. Franchisor reserves the right to make changes, improvements, deletions and/or additions to the ProSource System, including without limitation, to the products and services authorized under the ProSource System at any time without incurring any liability to Franchisee.

1.4 National Accounts. Franchisor reserves the right to designate certain types and classes of customers as national accounts (sometimes also referred to as "National Alliance Accounts") and negotiate terms for the sale of products and services to these customers. So long as Franchisee is not then in default of its obligations under this Agreement, Franchisor will first offer the opportunity to service these national accounts located in the Area to Franchisee. To participate in servicing national account customers, Franchisee must adhere to the pricing structure and negotiated terms established by Franchisor from time to time for products and services provided to national accounts which may include, without limitation, the payment of certain fees and compliance with certain database and reporting requirements. If Franchisee declines to participate or if Franchisee refuses to provide products and services to national accounts under such pricing structure and on such negotiated terms, Franchisee will lose any rights it may have to service such national account customer and Franchisor may elect to not offer Franchisee the opportunity to service any other national accounts and further, may either service such national accounts itself or offer such opportunity to other franchisees or to Franchisor owned operations even if such national account customers are located within Franchisee's Area. If Franchisee refuses to service a national account customer, upon request from Franchisor or from another franchisee servicing such national account customer, Franchisee shall permit any national account customer to have access to Franchisee's Showroom to view products and to utilize Franchisee's Showroom for delivery purposes but such national account customer will not be considered Franchisee's "member". Franchisee agrees to cooperate with Franchisor and other franchisees in servicing national account customers. Franchisee agrees that it does not have the authority to establish any national account or corporate account customers on behalf of the System. Franchisee shall not attempt to establish any such national or corporate accounts on behalf of the System.

2. Location of Franchise

2.1 Site Selection. The location of the ProSource Showroom shall be within the Area as described and delineated on Exhibit I. The exact location of the ProSource Showroom within the Area is within the discretion of the Franchisee provided that the location must meet the minimum standards established by Franchisor. A copy of the minimum standards for a location is contained within the ProSource Confidential Operations Manual loaned to Franchisee as part of this grant of the Franchise. To

assure that Franchisee's proposed site(s) meets Franchisor's minimum standards for a location, Franchisor must approve Franchisee's proposed site and shall have the right to inspect the proposed site.

In requesting Franchisor's approval of a proposed site, Franchisee shall submit ~~the Site Selection Kit~~ to Franchisor ~~at~~ such ~~time~~information that ~~Franchisee is requesting Franchisor's approval for a~~ Franchisor requires with respect to a proposed site. Franchisor's inspection of a site and approval of a site is for the sole purpose of determining that a site meets the minimum standards established by Franchisor and does not in any manner constitute any representation or determination that the site can be successfully developed or will be a successful location for the Franchisee. Selection of the site and the determination of whether or not such site will be successful is solely within the discretion of Franchisee, subject only to such minimum standards, and Franchisor shall have no liability as the result of the site proving to be unsuccessful or unprofitable. Franchisor may provide to Franchisee site location assistance at its discretion, provided by doing so, Franchisee agrees and acknowledges that any such assistance is only for the purpose of determining that a site meets the minimum standards established by Franchisor, and Franchisor shall have no liability as the result of the site proving to be unsuccessful or unprofitable. Franchisor agrees not to charge Franchisee with respect to the first site inspection it undertakes with respect to this Franchise. Any subsequent inspections, be it of a different site or a follow-up visit, other than a visit at the opening of the ProSource Showroom, shall be at the cost and expense of Franchisee. Before approving any site location, Franchisor shall have the right to request from Franchisee, and Franchisee agrees to provide, any information Franchisor believes is necessary to determine if the proposed site meets the minimum standards applicable to a franchisee's site location generally. Franchisor may reject a site proposed by Franchisee which does not comply with the minimum standards established by Franchisor as part of the ProSource System in Franchisor's sole discretion, acting in a commercially reasonable manner. Upon Franchisor's receipt of all required information with respect to a ~~complete Site Selection Kit~~proposed site, Franchisor will have forty-five (45) days to either approve or disapprove of Franchisee's proposed site. If Franchisor rejects a proposed site, Franchisee will not be allowed to use that site and must submit ~~a Site Selection Kit for~~ an alternate site. Franchisee must have a site for the Showroom identified and approved by Franchisor within ~~120~~135 days of signing this Agreement, provided this is subject to reasonable extension by Franchisor if Franchisee demonstrates good faith efforts to locate an approved site within such ~~120~~135 day period and timely requests such an extension. In the event that Franchisee has failed to obtain approval for a site within such ~~120~~135 day period, or such reasonably extended period as applicable, Franchisor may terminate this Franchise Agreement upon written notice to Franchisee with no cure rights provided to Franchisee and in such event Franchisee shall receive a refund of $10,500 of its Initial Franchise Fee. Franchisor shall be entitled to keep the unrefunded portion of the Initial Franchise Fee.

2.2 Development of Site. Franchisee shall develop, construct, renovate and/or modify the site in strict compliance with all of the standards and specifications required by Franchisor for the Franchise as set forth in the ProSource Confidential Operations Manual or as otherwise provided to Franchisee by Franchisor and in compliance with the development schedule set forth in Article 3 below. Franchisee shall obtain all necessary permits and licenses at Franchisee's sole cost and expense. Franchisee shall also be required to secure all financing and take all other action necessary to open Franchisee's ProSource Showroom in timely compliance with this Agreement (which includes all agreements attached hereto as Exhibits) and all applicable Laws including but not limited to the Americans with Disabilities Act ("ADA"). Franchisee shall strictly comply with Franchisor's scheduling system in opening Franchisee's ProSource Showroom. Franchisee shall not open its ProSource Showroom until Franchisor gives its written approval for such opening. Franchisee shall permit access by Franchisor to the ProSource Showroom at any time and from time to time both during the construction, renovation and/or modification and at or after the Showroom grand opening to enable Franchisor to inspect the site for compliance with Franchisor's standards and specifications. Other than the initial site

visit (unless such initial site visit is to a second or subsequent numbered site visited by Franchisor in which case Franchisee shall pay for Franchisor's costs of such visit) and a visit by Franchisor to the site for the Showroom grand opening, Franchisee shall pay for all of Franchisor's costs in inspecting the site to verify compliance with all of Franchisor's standards and specifications. Franchisor's inspection of the premises, including the construction, renovation or modification, is again solely for the purpose of satisfying itself that the ProSource Showroom meets the minimum criteria and specifications imposed by Franchisor and does not in any manner constitute an inspection of the quality or completeness of the construction, renovation or modifications or of their compliance with federal, state or local laws, ordinances and/or regulations, including the ADA and zoning and signage laws and ordinances, and Franchisor shall have no liability to Franchisee arising from its inspection of the ProSource Showroom or its failure to detect any defect of any nature or of Franchisee's failure to comply, albeit knowingly or unknowingly, with all federal, state or local laws, regulations and ordinances. Franchisee shall not make any changes not in accordance with Franchisor's standards and specifications which are not pre-approved in writing by Franchisor, which approval may be withheld in Franchisor's sole discretion.

2.3 Relocation of Franchise. During the term of this Agreement, Franchisee may relocate the Franchise within the Area provided that (i) Franchisee gives ninety (90) days prior written notice to Franchisor of such relocation; and (ii) Franchisee has complied with and the new location complies with the provisions of Sections 2.1 and 2.2 above. Franchisee shall submit ~~the Site Selection Kit~~all required information for ~~such~~a proposed site to Franchisor at such time that Franchisee is requesting Franchisor's approval for ~~a~~the new site. Any inspection of the new location of the Franchise shall be at the option of the Franchisor under the same terms and conditions as an inspection of the original location provided that Franchisee shall be obligated to pay Franchisor for all costs incurred by Franchisor in making any and all such inspections.

3. Development Schedule/Protected Area

3.1 Development Schedule. Franchisee agrees to purchase, open and operate the ProSource Showroom in accordance with the terms and conditions of (i) this Agreement, (ii) all other agreements between the parties, and (iii) in accordance with the following development schedule (the "Development Schedule"):

	ITEM	TIME DEADLINES
1.	Identify potential ProSource Showroom site that is approved by Franchisor	One hundred ~~twenty (120~~thirty-five (135) days after the Commencement Date of this Agreement.
2.	Sign lease for site	Sixty (60) days after Item #1 is completed
3.	Open ProSource Showroom for continuous operation	~~Ninety (90~~One hundred seventy (170) days after Item # 2 is completed

Upon the failure by Franchisee to meet the second or third requirement imposed upon Franchisee pursuant to this Section 3.1, Franchisor may terminate this Franchise Agreement at its option by written notice with no cure rights provided to Franchisee and Franchisor shall retain any initial franchise fee paid in full. (Failure to meet the first item above is addressed at the end of Section 2.1.)

3.2 Protected Area. Except as provided in Section 3.3 below and subject to the rights reserved by Franchisor in this Franchise Agreement, including, without limitation, Sections 1.3, 1.4 and

Article 7 hereof, no other ProSource Showroom (as specifically defined in Section 17.15 herein) shall be located within the Area during the term of the Franchise Agreement. Franchisor is not obligated to monitor that no other franchisee conducts operations within the Area.

3.3 Base Market Share. "Base Market Share" shall be defined as four percent (4%) of the Flooring Potential (defined below) of Franchisee's Area. Franchisor may revise the Base Market Share in any successor agreement. Franchisor will determine Franchisee's market share on an annual basis as provided herein by dividing Franchisee's Gross Sales reported through the ProSource System by the Flooring Potential for the Area. "Flooring Potential" is computed, by zip code, every two years, by a consultant to Franchisor, Phillips & Associates, Inc. (the "Source"). Information provided by the Source is based on, among other things, the U.S. Bureau of Labor Statistics Consumer Expenditures Survey. Subject to the next sentence, Franchisee's market share will be measured at the end of each calendar year and will be based on Franchisee's Gross Sales attributable to floorcovering products during such 12month period. So long as Franchisee's Showroom has been in operation for at least 2 years, Franchisee's market share may also be measured at the end of any calendar quarter throughout the calendar year by using Franchisee's Gross Sales attributable to floorcovering products through such period and extrapolating such amount for the full 12 month calendar year period. If the Source discontinues providing such analysis, becomes unreliable, outdated or otherwise deemed inaccurate or undependable by Franchisor, or for any other reason, Franchisee agrees that Franchisor may engage a different company to provide such information to be used by Franchisor in monitoring the market share of franchisees, or change the methodology for determining Base Market Share and Franchisee's market share. So long as Franchisee's market share meets or exceeds the Base Market Share, subject to the rights reserved by Franchisor in this Franchise Agreement, including without limitation, Sections 1.3, 1.4 and Article 7, Franchisee shall retain protection in the Area as provided in Section 3.2. If Franchisee's market share falls below the Base Market Share, Franchisee will no longer retain protection in the Area as provided in Section 3.2.

Notwithstanding the foregoing, if Franchisee is a new franchisee (and is not signing this agreement as a successor agreement to an initial franchise agreement), Franchisee will have a period of ~~36~~48 months from the opening of the Showroom to reach the Base Market Share and Franchisee will retain the protection in the Area as provided in Section 3.2 during such time even if Franchisee's market share is less than the Base Market Share so long as Franchisee is otherwise in compliance with the Franchise Agreement and all other agreements between Franchisee and Franchisor and/or any Affiliate. This grace period ends after ~~36~~48 months from the opening of the Showroom and is not to be interpreted to extend to another full 12 months or another full calendar year after the expiration of such ~~36~~48 month period.

If Franchisor determines that Franchisee's market share is less than the Base Market Share, Franchisor will notify Franchisee of same and Franchisor shall then have the right without further notice to Franchisee to establish one or more ProSource Showrooms, either owned by another franchisee or directly by the Franchisor, within the Area regardless of proximity to or economic impact on Franchisee. Franchisee's protected Area, as defined in Section 3.2, cannot be regained once it is lost. Franchisee acknowledges that if Franchisor establishes another Showroom inside the Area, such action may impact the profitability of Franchisee's existing Showroom. Franchisee acknowledges that in order to implement Franchisor's right to establish one or more ProSource Showrooms within the Area, Franchisor may redefine the Area by written notice to Franchisee for the purposes of permitting Franchisor to define the initial protected area for the one or more new ProSource Showrooms that Franchisor is permitted to establish either owned by Franchisor or another franchisee pursuant to this Section 3.3. In such event, consistent with Section 7.2, Franchisee shall not advertise within the area of any such new franchise(s).

3.4 Representations. Franchisee agrees that the Development Schedule and the Base Market Share are reasonable in all respects; that, subject to Section 3.5 below, any event resulting in a delay in the performance by Franchisee, whether unavoidable or not, shall not constitute a defense or an excuse to meeting the Development Schedule or the Base Market Share; that Franchisee understands the Base Market Share is in no way a projection, representation or warranty as to the sales that will or may be achieved by Franchisee; that Franchisee understands the difficulties in developing the Area, including the possible absence of real estate sites; that Franchisee has sufficient funds or financial commitments from lending institutions to timely meet the Development Schedule and Base Market Share; and that Franchisee is not relying on any promise, guarantee or statement by Franchisor with regard to Franchisee's ability to meet the Development Schedule or Base Market Share.

3.5 Force Majeure. If Franchisee is unable to comply with the Development Schedule due to an unforeseeable occurrence beyond Franchisee's control that directly and materially affects local conditions and Franchisee's ability to comply with the Development Schedule, such as an Act of God, war, or labor strike, Franchisee shall be given additional time equal to the amount of time lost due to such unforeseeable occurrence to comply with the Development Schedule. The preceding sentence regarding "Force Majeure" shall in no way excuse any obligation to make payments herein.

4. Franchisor's Services and Assistance

4.1 Initial Training. Franchisor shall at no cost to Franchisee, provide an initial training program for ~~up to~~Franchisee and its employees for six ~~persons~~(6) months from the date that construction of Franchisee's new Showroom commences, including the following: -The Principal(s), the Manager, the Kitchen and Bath Designer, and Account Managers. Initial training shall cover the methods and operations of a ProSource Showroom. Franchisor may agree to train more than the six permitted trainees upon such terms and conditions as Franchisor may impose including but not limited to charging a fee for such training. Franchisee is responsible for paying all costs of transportation, lodging, meals and other expenses for participants in the initial training. The purpose for initial training is to provide sufficient knowledge for management level persons of Franchisee and to allow those persons to train the other employees of Franchisee.

4.2 Additional Training. Franchisor may periodically offer to Franchisee and its employees refresher courses, update courses and special intensive training courses as Franchisor deems necessary upon such terms and conditions as Franchisor may impose including but not limited to charging a fee for such training. Franchisor will designate certain courses as optional and certain courses as mandatory. Franchisor may provide any training in the manner and format as determined by Franchisor which may include training on-line over the internet.

4.3 Certification Process. Franchisor may establish a management and Showroom staff certification process for Franchisee that will enable Franchisor to certify employees of Franchisee for various positions to improve the quality of services provided by Franchisee. The certification process may include a process through which Franchisee may certify its non-managerial staff employees.

4.4 Specifications. Franchisor shall provide Franchisee with the specifications for the layout design, equipment, signage, colors, furniture, samples, fixtures and such other specifications as Franchisor deems necessary to be utilized by Franchisee in the operation of the ProSource Showroom. The foregoing specifications will be set forth in the ProSource Confidential Operations Manual.

4.5 Initial Assistance and Advice. Prior to the opening of the Showroom, Franchisor may provide Franchisee with such assistance and advice as Franchisor determines in its reasonable discretion

is appropriate regarding store layout, marketing, advertising and the installation of the equipment, furniture and fixtures necessary for the operation of a ProSource Showroom and the initial operations of the Franchise. Franchisor's obligations under this section may differ for franchisees opening their second or subsequent ProSource Showroom.

4.6 Manuals. Prior to the opening of the Franchisee's ProSource Showroom, Franchisor shall loan to Franchisee one copy of its ProSource Confidential Operations Manual. Franchisor may provide the ProSource Confidential Operations Manual to Franchisee electronically or may allow Franchisee to access the ProSource Confidential Operations Manual via a secure intranet connection.

4.7 Record Keeping Assistance. Prior to the opening of Franchisee's ProSource Showroom, Franchisor shall provide to Franchisee Forms for operating the Showroom.

4.8 Establishment of Hours. Franchisor shall establish the business hours during which Franchisee is required to operate and be open, which hours may or may not be uniform as to all franchise locations, and which are subject to the hours of operation as dictated under Franchisee's lease, if applicable.

4.9 Newsletters. Franchisor may from time to time provide Franchisee with newsletters, bulletins and brochures with respect to the ProSource System, ProSource Showrooms, additional or revised advertising materials, and related materials or services. Franchisor may provide these items to Franchisee electronically.

4.10 Conventions/Meetings. Franchisor may from time to time create or sponsor conventions and/or meetings or conferences for the benefit of its franchisees with educational programs, new products and/or such other matters as Franchisor may believe is in the best interest of its franchisees.

4.11 Other Assistance and Advice. Franchisor may, from time to time, to the extent it deems necessary, provide to Franchisee such assistance and advice as Franchisor deems appropriate with regard to advertising, management and the operation of the Franchise. Such assistance may be designated as optional or mandatory by Franchisor and may require the payment of a fee as determined by Franchisor. Franchisor may periodically, with such frequency as Franchisor determines in its sole discretion, send field consultants to the Showroom to consult with Franchisee in the development of its business and may conduct on-site inspections. Any guidance, suggestions, or advice provided to Franchisee in the course of such consultation shall be deemed suggestions only, and the decision to follow any such guidance, suggestions or advice will be made by Franchisee in Franchisee's sole discretion. In particular, and not in limitation of the foregoing, Franchisee will be solely responsible for all policies and decisions concerning its employees and will consult with its own independent advisors with respect to those policies and decisions. Upon request by Franchisee and payment of a fee as determined by Franchisor, Franchisor may, but is under no obligation to do so, provide assistance with respect to the identification and screening of potential candidates for employment by Franchisee. If such service is performed, Franchisee will still make all decisions regarding the hiring of, or any decision not to hire, any such potential candidate, including having sole responsibility for determining the criteria used to screen candidates, if any. Franchisee acknowledges that by providing any such service, Franchisor is not making any representation that such candidate is fit for any particular position or duty or any other representation whatsoever with respect to any identified candidate.

4.12 Levels of Service. Franchisor reserves the right to provide different levels of service to different franchisees in Franchisor's sole discretion and without regard to any particular franchisee's success or lack thereof, condition or operational needs. Furthermore, Franchisor reserves the right in its

discretion to provide a different level of service for franchisees operating their second or subsequent ProSource franchise.

4.13 Variances of Standards. Because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, in its sole discretion and as it may deem to be in the best interests of all concerned in any specific instance, to vary standards, or waive or reduce fees, for any franchisee based upon the peculiarities of a particular site or circumstance, density of population of trade area, existing market conditions, existing business practices or any other conditions which Franchisor deems to be of importance to the operation of such franchisee's business. Franchisee shall have no recourse against Franchisor on account of any variation from standard specifications and practices granted to any franchisee and shall not be entitled to require Franchisor to grant Franchisee a like or similar variation hereunder.

4.14 Limitation on Franchisor's Liability. Franchisor's approval rights, inspection rights and services, operations assistance, systems, training, and any other services which Franchisor does or may provide to Franchisee (collectively referred to herein as "services") are all without liability to Franchisor of any nature and are provided for the benefit of Franchisor and not for the benefit of Franchisee. Franchisor makes no representations or warranties of any kind that such services will create a successful business operation for Franchisee or will not have a negative impact on Franchisee's business. Franchisee is solely responsible for the success of the Franchise and Franchisee's business operations. Franchisor's certification or recertification of Franchisee's Manager or Franchisee's Kitchen and Bath Designer or other personnel, or Franchisor's identification and/or screening of potential candidates for hire by Franchisee at the request of Franchisee is for the sole purpose of determining that a person meets the minimum standards established by Franchisor for such position and is not a determination that such person is in fact capable and/or suitable for such position or that such person will be successful thereat and Franchisor shall have no liability for the failures of any person that achieves a certification or is so identified or screened. The word "may" when used in this Article 4 is permissive and Franchisor is under no obligation to provide such service or take such act.

5. Various Obligations of Franchisee

5.1 Certification Compliance. Prior to opening the ProSource Showroom, Franchisee must comply with all initial training and certification requirements of Franchisor. No Manager may operate a Showroom unless such person passes all training required by Franchisor and receives the required certification(s) from Franchisor. Franchisee may not open the Showroom for business until the Kitchen and Bath Designer and Account Manager pass all required training and receives the required certification(s) from Franchisor. Franchisee agrees that the certification process is an ongoing process and is subject to change as reflected in the ProSource Confidential Operations Manual. Initial required training is subject to change from time to time. As of the date hereof, initial training consists of 8 days of training broken down into an initial ~~5~~4 day workshop called Accelerate and a ~~3~~4 day workshop called DRIVE that takes place 6 months after opening. While subject to change from time to time, prior to opening the ProSource Showroom, ~~(i)~~all Principals ~~are required to complete the Accelerate workshop; (ii),~~ Showroom Managers ~~are required to complete the Accelerate workshop; (iii),~~ Account Managers ~~are required to complete the Accelerate workshop;~~, and ~~(iv) the~~a Kitchen and Bath Designer ~~is~~are required to complete the Accelerate workshop. Initial training must be completed prior to opening the Showroom. The second workshop must be completed by Principals and Managers.

5.2 Manager. Any Manager of the Franchisee must successfully complete the initial training provided by Franchisor to meet the then current certification standards. The Manager must complete such training and achieve the required certification sixty (60) days prior to the opening of the ProSource

Showroom for business. To successfully complete the initial training, such person must successfully pass all tests administered by Franchisor, including being certified to teach and train non-managerial employees on the ProSource System. Any new or replacement Manager of the Franchisee must successfully complete the initial training course offered by Franchisor within thirty (30) days of assuming the position of Manager provided that a training class is available during such thirty (30) day period and if not, as soon as a new training class becomes available. Franchisee agrees that such certification process is an ongoing process and Franchisor reserves the right to recertify Manager on an annual or other periodic basis which may require Manager to attend and successfully complete additional training as deemed necessary by Franchisor to ensure that Manager remains current on changes to the System, new technology for the System, if any, and/or new standards for the System as developed by Franchisor from time to time. Franchisee acknowledges and agrees that each Showroom requires a full time Manager. If Franchisee owns more than one Showroom, unless otherwise agreed in writing by Franchisor, one Manager may not manage more than one Showroom.

5.3 Kitchen and Bath Designer. Any Kitchen and Bath Designer of the Franchisee must successfully complete the initial training provided by Franchisor to meet the then current certification standards. The Kitchen and Bath Designer must complete such training and achieve the required certification sixty (60) days prior to the opening of the ProSource Showroom for business. To successfully complete the initial training, such person must successfully pass all tests administered by Franchisor. Any new or replacement Kitchen and Bath Designer of the Franchisee must successfully complete the initial training course offered by Franchisor within thirty (30) days of assuming the position of Kitchen and Bath Designer provided that a training class is available during such thirty (30) day period and if not, as soon as a new training class becomes available. Franchisee agrees that such certification process is an ongoing process and Franchisor reserves the right to recertify Franchisee's Kitchen and Bath Designer on an annual or other periodic basis which may require Franchisee's Kitchen and Bath Designer to attend and successfully complete additional training as deemed necessary by Franchisor to ensure that Franchisee's Kitchen and Bath Designer remains current on changes to the System, new technology for the System, if any, and/or new standards for the System as developed by Franchisor from time to time. Franchisee acknowledges and agrees that each Showroom requires a full time Kitchen and Bath Designer. If Franchisee owns more than one Showroom, unless otherwise agreed in writing by Franchisor, one Kitchen and Bath Designer may not service more than one Showroom.

5.4 Employee Training. After completing the initial training, Franchisee's Manager shall be responsible for training all non-managerial employees of Franchisee. Franchisor may from time to time provide Franchisee with manuals and training videos to assist Franchisee and/or Franchisee's Manager in training Franchisee's employees. Prior to training any Franchisee employees, Franchisee's trainer(s) (Manager) must be certified by Franchisor. Franchisee may train Franchisee's employees only through the use of a Franchisor certified trainer. Franchisee agrees that such certification process is an ongoing process and Franchisor reserves the right to recertify trainers on an annual or other periodic basis which may require any certified trainer to attend and successfully complete additional training as deemed necessary by Franchisor to ensure that each such certified trainer remains current on changes in technology, the System and/or new standards for the System as developed by Franchisor from time to time. The costs of any such additional training shall be borne by Franchisee. All employees of Franchisee must complete such training by passing written and/or other tests prior to providing any services to any customers of the Franchise. If Franchisor determines that Franchisee is not complying with System standards, Franchisor may require Franchisee's employees to be certified directly by Franchisor at Franchisee's cost.

5.5 Additional Training. Franchisee agrees to cause the Manager, the Kitchen and Bath Designer, all Account Managers and such additional persons as required by Franchisor to attend and

successfully complete all mandatory training courses, if any, but not in excess of two (2) mandatory courses each calendar year (the ProSource conventions and meetings specified in Section 5.6 below shall not count as a mandatory course~~), provided that the cost of such mandatory training courses (excluding incidental costs of travel, lodging, meals, etc.) shall not exceed $5,000 per calendar year.~~). In the beginning of each calendar year, Franchisor may present to all franchisees the optional training programs it intends to provide to all franchisees. Franchisee will have the option of paying the then current annual training fee per Showroom for access to the entire training system for the year or paying a la carte based on the specific training programs that Franchisee selects. Franchisee must notify Franchisor in January of a calendar year if it elects to opt out of the paying the annual training fee for such calendar year.

Depending on the content of the mandatory training courses, Franchisor's cost may be charged in addition the annual training fee, plus incidental costs of travel, lodging, meals for Franchisee's attendees. In addition, if Franchisee's market share as determined in Section 3.3 is below the Base Market Share or Franchisor determines that Franchisee's operation of its kitchen and bath portion of the Showroom is underperforming, Franchisor may, but is not obligated to, offer Franchisee special, intensive training to help Franchisee increase its market share or kitchen and bath department performance for a fee. If offered, this special intensive training course would be mandatory and at Franchisee's sole cost, ~~but would not count as one of the two (2) mandatory courses listed above nor would the cost of this special training course count towards satisfaction of the $5,000 limit specified above.~~ separate from and in addition to the annual training fee. Franchisee agrees that the preceding two sentences shall not constitute an obligation of Franchisor to offer any such additional intensive training if Franchisee's market share is below the Base Market Share or if Franchisee's kitchen and bath department is underperforming. Any such additional intensive training will be offered at Franchisor's sole discretion and may be offered to some franchisees and not others based on the particular circumstances of any given situation and Franchisee shall have no claim or recourse against Franchisor due to Franchisor's not providing this additional intensive training to Franchisee. Franchisee acknowledges that Franchisor may provide any training in the manner and format as determined by Franchisor which may include training over the internet.

5.6 Conventions/Meetings. As a continuing training requirement, Franchisee's Principals and Franchisee's Manager and those other employees of Franchisee as designated by Franchisor shall attend each ProSource convention (but no more than two in any one calendar year) and Franchisee's Principals and Franchisee's Manager shall attend each regional sales meeting as designated by Franchisor during the term of this Agreement, at Franchisee's expense.

5.7 Quality Reviews. Subject to the availability of Franchisor's resources and staff, Franchisor may perform on an annual basis (or on such other frequency as determined appropriate by Franchisor) an on-site quality review of the operation of Franchisee's Showroom. Such review may include an analysis of Franchisee's operation through a mystery shopper service, the cost of which shall be borne by Franchisee. If Franchisee's Quality Review score is substandard as determined by Franchisor (Quality Review score metrics may be set forth in the Confidential Operations Manual), Franchisee shall pay for the direct costs of Franchisor in conducting such quality reviews, including travel, lodging, food and any other costs. Franchisee will cooperate with Franchisor and grant access to the ProSource Showroom and its personnel as necessary. Franchisor will provide Franchisee with a report on such review. Franchisor reserves the right to expand, modify or discontinue such quality reviews as reflected in changes to the ProSource Confidential Operations Manual from time to time.

5.8 Best Efforts. Franchisee agrees to (i) use Franchisee's best efforts to develop a successful ProSource Showroom and to provide the best possible service to the members/customers of Franchisee's ProSource Showroom, (ii) maintain staff sufficient to adequately and properly operate the

ProSource Showroom and to comply with subparagraph (i) above, (iii) at all times have a full-time trained and certified Kitchen and Bath Designer to assist customers in designing their projects; and (iv) at all times have a full-time trained and certified Manager to run the Franchise with direct, on-premises supervision of the ProSource Showroom to the extent required. Franchisee acknowledges that the standards for compliance of the foregoing will be found in the ProSource Confidential Operations Manual, which may be modified from time to time by Franchisor.

5.9 Financial and Business Reports. Franchisee shall make and maintain such true and accurate reports and such true and accurate records concerning the financial and business operations of the Franchise as required by Franchisor from time to time and as may be provided in the ProSource Confidential Operations Manual (which may require Franchisee to compile and maintain such reports and records by using the Software as directed by Franchisor from time to time), which shall include, but not be limited to, purchase and sale reports and records, accounts payable lists, cash disbursement records, copies of Franchisee's income tax returns, expense reports and financial statements. Franchisee agrees to (i) use the Forms for reporting the operations of the Franchisee's ProSource Showroom, (ii) complete the Forms in a manner satisfactory to Franchisor and as required under this Agreement, and (iii) provide Franchisor with copies of such completed Forms at such times and with such frequency as is provided herein or as provided in the ProSource Confidential Operations Manual. Any reports or records prepared with the Software shall be deemed to be in a form acceptable by Franchisor. Franchisee agrees to maintain records on all purchases, sales, accounts payable, cash disbursements, expenses, tax returns, memberships, and all other types of activities of the Franchise. Franchisee agrees to submit reports in the form and content as required by Franchisor from time to time which may be provided in the ProSource Confidential Operations Manual. Franchisee shall submit such reports in the manner specified by Franchisor which may be electronically. Franchisee agrees to maintain all records required to be kept by Franchisee pursuant to this Section 5.9 for a minimum period of four years past the termination of this Agreement and to permit Franchisor and/or any representative designated by Franchisor the right at any time during the term of this Agreement and the four year period of time after termination of this Agreement to inspect and audit any and all of such records.

5.10 Payment of Franchisor Fees and Obligations; Grant of Security Interest. Franchisee shall timely pay in full any and all amounts due and owing to Franchisor and/or Franchisor's Affiliates under this Agreement and/or any Related Agreement, including, without limitation, payment of Franchisor's invoices for samples and supplies, products, royalty fees, license fees, training fees, advertising or marketing fees or costs, resale support fee (if applicable), and other fees payable to Franchisor as more fully described in Article 8 hereof. All payments should be by made in the manner designated by Franchisor which may include payments by electronic funds transfer. Franchisee shall have no right of set off with respect to any and all payments owed to Franchisor or any of Franchisor's Affiliates, regardless of whether Franchisee has a credit with Franchisor (or any of Franchisor's Affiliates) at such time or whether Franchisor owes or allegedly owes Franchisee any sums.

If Franchisee or a Related Party is or becomes a member of ProSource Cooperative, Inc. ("PSC"), to secure Franchisee's obligations under this Agreement and any Related Agreement, Franchisee hereby grants to Franchisor a security interest in all sums of money which Franchisee or such Related Party receives or is entitled to receive from PSC, which sums may be paid directly to Franchisor to the extent of monies owed to Franchisor upon prior notice by Franchisor to PSC if Franchisee is in default of any of Franchisee's payment obligations to Franchisor, or an Affiliate or a key supplier to the ProSource System. Franchisor shall have all of the rights of a secured party under the Uniform Commercial Code as enacted in the state where the Showroom is located. Franchisee shall execute any and all documents, forms and other instruments deemed necessary by Franchisor, acting reasonably, to perfect its security interest in the aforesaid collateral and Franchisee shall be responsible for payment of all costs and/or fees associated

with the execution and/or filing of such documents. Franchisee acknowledges and warrants that Franchisee has authority to bind any Related Party to the foregoing.

If Franchisee or a Related Party is or becomes a member of CCA, to secure Franchisee's obligations under this Agreement and any Related Agreement, Franchisee hereby grants to Franchisor a security interest in all sums of money which Franchisee or such Related Party receives or is entitled to receive from CCA, which sums may be paid directly to Franchisor to the extent of monies owed to Franchisor upon prior notice by Franchisor to CCA if Franchisee is in default of any of Franchisee's payment obligations to Franchisor, an Affiliate or a key supplier to the ProSource System. Franchisor shall have all of the rights of a secured party under the Uniform Commercial Code as enacted in the state where the Showroom is located. Franchisee shall execute any and all documents, forms and other instruments deemed necessary by Franchisor, acting reasonably, to perfect its security interest in the aforesaid collateral and Franchisee shall be responsible for payment of all costs and/or fees associated with the execution and/or filing of such documents. Franchisee acknowledges and warrants that Franchisee has authority to bind any Related Party to the foregoing.

5.11 Payment of Other Obligations. Franchisee shall timely pay in full all monetary obligations of Franchisee, including, but not limited to all trade accounts, all lease obligations whether with respect to the premises at which the Franchise is located or the fixtures and equipment in the ProSource Showroom, or otherwise.

5.12 Performance of All Obligations. Franchisee agrees to timely perform all other obligations of Franchisee set forth in this Agreement and any Related Agreement within the time required for such performance.

5.13 Confidentiality Obligations of Franchisee's Employees. Franchisee shall require all of Franchisee's employees to enter into confidentiality agreements to prevent employees from disclosing any Confidential Information whatsoever, except as required in performing the employee's duties and upon termination of such employment, to immediately return to Franchisee all Confidential Information in their possession. An example of a confidentiality agreement for use is attached hereto as Exhibit II and is contained within the ProSource Confidential Operations Manual. Franchisor recommends Franchisee engage a local attorney to review the form attached and modify as necessary to be in compliance with applicable local law. By providing an example for Franchisee to consider, Franchisor is not providing legal services to Franchisee or making any representations to Franchisee as to the enforceability of such example agreement.

In addition, Franchisor recommends that Franchisee requires all of its key employees to enter into a non-compete agreement to protect Franchisor's trade secrets and confidential information. Franchisor requires Franchisee to cause its regional manager(s), if any, to sign a non-compete agreement. An example of a non-compete agreement for use is attached hereto as Exhibit III and is contained within the ProSource Confidential Operations Manual. As noted above with respect to the confidentiality agreement, Franchisor recommends Franchisee engage a local attorney to review the form of non-compete agreement attached and modify as necessary to be in compliance with applicable local law. By providing a form example for Franchisee to consider, Franchisor is not providing legal services to Franchisee or making any representations to Franchisee as to the enforceability of such example agreement.

Franchisee further agrees that Franchisee shall not knowingly permit a competitor of Franchisor or Franchisee to enter the ProSource Showroom. Franchisee also agrees to require all of Franchisee's officers, directors, managers and other key employees to sign an agreement in form acceptable to

Franchisor that provides that any such person shall not provide services to any successor business of Franchisee that is not operating a ProSource Showroom. If Franchisee violates this Section 5.13 in any manner, Franchisee shall owe Franchisor for all damages suffered or incurred by Franchisor, and all costs and expenses, including attorneys' fees related thereto.

5.14 Protection of Proprietary Rights. Franchisee shall operate the Franchise (i) in accordance with such standards which Franchisor may prescribe from time to time and (ii) so as to protect the integrity and goodwill of the Marks by maintaining a high standard of quality and reputation with respect to the goods, services and business with which the Marks are used. All products sold by Franchisee shall meet the Franchisor's standards and specifications. Franchisor shall have the right at any reasonable time and without prior notice to inspect the quality of goods and services offered by Franchisee.

5.15 Insurance and Hold Harmless. Franchisee shall maintain the insurance as required in Sections 10.1 and 10.2 of this Agreement. Franchisee agrees to and does hereby indemnify and hold Franchisor and its Affiliates and their respective officers, directors, employees, agents, shareholders, attorneys and agents (the "Franchisor Indemnified Parties") harmless from and against, and shall reimburse the Franchisor Indemnified Parties for, any and all Claims (whether direct or third-party), on account of any actual or alleged loss, injury or damage to any person, firm, or entity, or to any property, arising out of or in connection with: (i) the Franchise, including but not limited to, the acts, errors or omissions of the Principal(s), and/or Franchisee's employees, officers, directors, or agents or any of them, (ii) the operation or condition of Franchisee's ProSource Showroom or the site on which it is located; (iii) the violation or breach by Franchisee or any Principal of any law, ordinance, regulation, rule, or order, including, without limitation, those governing or related to labor or employment relations or violations; (iv) employment, wage and workers compensation claims by Franchisee's employees including any claim of joint employment with Franchisor; (v) libel, slander or any other form of defamation of the Franchisor Indemnified Parties, the System or any other franchisee by Franchisee or any of the Principals; (vi) any data breach or breach of data privacy laws; (vii) the breach by Franchisee or any Principals of this Agreement or any Related Agreement; (viii) any acts, errors or omissions of Franchisee or any third party with whom Franchisee or any of its Principals may contract; (ix) any claim of infringement of a third party's patent, trademark, copyright or other intellectual property rights attributable to Franchisee's actions; or (x) the exercise or purported exercise by Franchisee of Franchisee's rights hereunder, except the foregoing does not apply to (a) Claims caused by Franchisor's gross negligence as determined by a court of competent jurisdiction, or (b) the gross negligence of Franchisor's employees, agents, or independent contractors as determined by a court of competent jurisdiction, or (c) any Claims for which Franchisor has indemnified Franchisee pursuant to Section 11.7 below. This indemnification shall continue and be enforceable notwithstanding the expiration or other termination of this Agreement for any reason whatsoever and shall include and cover any and all costs of defense, including attorneys' fees. The Franchisor Indemnified Parties do not assume any liability whatsoever for acts, errors, or omissions of those with whom Franchisee or any of its Principals may contract. In the event of any Claim entitling a party to indemnification hereunder, or in the event any party discovers facts that will likely give rise to a claim for indemnification hereunder, the party entitled to indemnification shall notify the party obligated to provide indemnification. With respect to any Claims for which Franchisee is obligated to provide indemnification, Franchisor reserves the right to determine whether Franchisee or Franchisor shall assume the defense of such Claims, and in either case, to employ counsel selected by Franchisor in its discretion, and to control the defense and settlement of any such Claims, acting reasonably and in accordance with good faith business judgment, at Franchisee's expense and without relieving Franchisee of any of its obligations hereunder.

5.16 Notification to Franchisor. Franchisee shall promptly notify Franchisor (i) of Franchisee's inability or failure to completely satisfy any of Franchisee's obligations as they become due;

(ii) of any and all Claims asserted against Franchisee, Franchisee's affiliates, Franchisor, and/or Franchisor's Affiliates in connection with the Franchise; and (iii) in the event there is a data breach of any member or customer personally identifiable information.

5.17 Cooperation. Franchisee shall cooperate with Franchisor regarding any Claims asserted against Franchisor or Franchisee in connection with the Franchise and/or the Marks.

5.18 Employee Relations. Franchisee shall be fair and courteous to Franchisee's employees and shall establish and maintain standards of performance which will provide the best possible service to customers of the ProSource Showroom. Franchisee shall have the sole responsibility and control for recruiting, hiring, supervising, scheduling, disciplining, firing, compensating and training Franchisee's employees, subject to minimum qualification levels and certification requirements which may be adopted by Franchisor from time to time, as well as sole and complete liability for acts or omissions of Franchisee's employees. Franchisee agrees and acknowledges that Franchisor does not have the authority to direct, control, schedule, supervise, or otherwise influence, employment decisions. Franchisee shall be responsible for developing and maintaining its own labor and personnel policies and practices compliant with all applicable laws.

5.19 Promote Goodwill. Franchisee shall exercise Franchisee's best efforts to promote the goodwill of the ProSource System, the Franchise and the Marks. Franchisee agrees and acknowledges that any goodwill arising from Franchisee's use of the ProSource System and the Marks inures to the sole benefit of Franchisor.

5.20 Conduct. Franchisee and Franchisee's employees shall conduct themselves at all times in a first-class manner and not discredit or denigrate the reputation or goodwill of Franchisor, any ProSource Showroom, the ProSource System, or the Marks.

5.21 Costs of Franchisee. Any and all costs of materials and items required to operate the Franchise are the sole responsibility of Franchisee, except to the extent otherwise provided herein. Any and all costs of leasehold improvements, set-up, construction, decoration, and the furniture and fixtures to be installed in or affixed to the premises in which the Franchise is located are the sole responsibility of Franchisee. All costs of transportation, lodging, meals and other expenses related to the persons designated by Franchisee to be trained by Franchisor shall be the sole responsibility of Franchisee. Franchisee shall also pay all costs, including the fee charged by Franchisor for training persons other than the initial ~~six~~ persons designated by Franchisee, related to the training of any of the ~~six~~ persons designated by Franchisee to receive the initial training who are unsuccessful in completing the initial training. Except as otherwise provided herein, Franchisee shall also pay for all costs incurred by Franchisor in inspecting the site under Sections 2.1, 2.2 and 2.3 under certain circumstances, or to assist Franchisee pursuant to Article 4.

5.22 Conformity with Standards of Franchise. No change shall be made by Franchisee to the layout design, furniture and/or fixtures specified by Franchisor without the prior written consent of Franchisor, which consent may be unreasonably withheld. Franchisee shall utilize and implement only the interior and exterior signage, colors, floorcoverings, Cabinets, samples, fixtures, furniture, graphics and other specifications determined by Franchisor. Use of any other items not in compliance with the preceding sentence is strictly prohibited. Franchisee shall comply with all specifications, standards, operating procedures, rules, regulations, policies and standards (whether contained in the ProSource Confidential Operations Manual or any other document or notice) ("Standards") relating to the operation of the Franchise as now in existence and as may be modified from time to time. Franchisee acknowledges that compliance with the preceding sentence is necessary and appropriate to properly safeguard the Marks

and the System, and to present a uniform, consistent product and service to the marketplace. Franchisor may inspect the Showroom periodically, with such frequency as Franchisor determines in its sole discretion, for purposes of verifying Franchisee's compliance with such Standards, all Laws and the terms of this Agreement. In operating the Franchise, Franchisee shall offer for sale and sell from the Showroom all required products as designated by Franchisor from time to time, which as of the date hereof includes all types of floorcovering, K&B Products and Sundries.

5.23 Buying Obligations. Franchisee acknowledges and agrees that the presentation of a uniform image to the public and the consistent provision of uniform products and services are essential elements of a successful franchise system. Accordingly, Franchisee agrees to abide by the buying obligations set forth in this Section 5.23.

Franchisee shall purchase (i) all product sample display racks, point of sale systems, samples, graphics, signs, advertising materials and fixtures directly from Franchisor or from Franchisor-approved sources; and (ii) products (which includes the type of product as well as specific styles of such product) as required to be offered for sale in the Showroom by Franchisor from Franchisor or Franchisor-approved sources, including, but not limited to, all products which bear the "ProSource" brand ("Proprietary Materials"). Franchisee agrees that all display racks, fixtures and other materials that are designed by Franchisor (or at the direction of Franchisor) and made exclusively for use by a franchisee in a ProSource Showroom are proprietary to ProSource and may only be used in the operation of a ProSource Showroom (also considered "Proprietary Materials"). Franchisor may designate certain flooring and/or Cabinet products and specific flooring and/or Cabinet product styles as "Core" products that are required to be offered for sale in the Showroom. Such products, styles and such designations will be set forth in the ProSource Confidential Operations Manual and updated from time to time or may otherwise be provided to Franchisee in writing from time to time. Payments to Franchisor on goods sold by Franchisor are due on the date they are invoiced or on such other date as is permitted by Franchisor. Franchisee agrees to display all product samples as directed by Franchisor. Franchisee agrees to maintain all required product inventory as directed by Franchisor from time to time. Franchisor reserves the right to modify and amend the list of Core products which a Franchisee is required to display and offer for sale or purchase from Franchisor and/or a Franchisor-approved source upon thirty (30) days prior notice. Franchisee shall comply in all respects with those operating practices and procedures which Franchisor requires from time to time with respect to buying obligations as they are communicated to Franchisee from time to time or as set forth in the ProSource Confidential Operations Manual.

A Franchisor-approved supplier is a supplier that demonstrates to the continuing reasonable satisfaction of Franchisor the ability to meet Franchisor's reasonable standards, specifications and requirements regarding reputation, product quality, price, consistency, reliability, service, financial capability and customer relations. Franchisor-approved suppliers have further proved their ability to deliver orders in a timely fashion and hold adequate supply and quantity of items typically required by their customers. Notwithstanding the foregoing, Franchisor reserves the right to designate any supplier as the sole supplier for particular goods or services required to be provided by Franchisee or designate itself or an Affiliate as an approved supplier and to make a profit from the sale of supplies to Franchisee. Franchisor will provide Franchisee from time to time with a list of required products and materials and a list of approved suppliers therefor. If Franchisee proposes to use any product in lieu of a required product or a supplier not approved by Franchisor for any such required product, Franchisee shall submit to the Franchisor sufficient specifications, photographs and other information and samples for examination and testing sufficient for Franchisor to determine whether the item and its supplier meet Franchisor's specifications, qualifications and standards. Franchisee shall reimburse Franchisor for the reasonable costs of any such investigation.

5.24 Manuals. Franchisee hereby acknowledges that (i) Franchisor is and shall remain the owner of the ProSource Confidential Operations Manual, (ii) Franchisor claims copyright ownership with respect to the ProSource Confidential Operations Manual, (iii) the ProSource Confidential Operations Manual constitutes Confidential Information and a trade secret of Franchisor, and (iv) the ProSource Confidential Operations Manual is being loaned to Franchisee only for the term of this Agreement and any successor thereof. Franchisee shall not duplicate, photocopy or otherwise reproduce the ProSource Confidential Operations Manual. Franchisor may from time to time modify or change the ProSource Confidential Operations Manual as Franchisor deems necessary. Franchisee agrees to update the ProSource Confidential Operations Manual as necessary upon receipt of any modification or changes thereto from Franchisor and to maintain the ProSource Confidential Operations Manual in a neat, organized and current condition. Franchisee agrees to keep the ProSource Confidential Operations Manual in a secure place and to limit access to only employees that need to know the information therein in order to fulfill their employment obligations. In no event will Franchisee permit a non-employee access to the ProSource Confidential Operations Manual. In the event of a conflict between the Franchisor's copy of the ProSource Confidential Operations Manual and the Franchisee's copy of the ProSource Confidential Operations Manual, the Franchisor's copy shall prevail. Franchisee agrees to operate Franchisee's ProSource Showroom in strict compliance with the ProSource Confidential Operations Manual as it now exists and as it may be amended from time to time. Franchisee acknowledges that the ProSource Confidential Operations Manual consists of many different components which are made available to Franchisee by access to Franchisor's secure website. Franchisee further acknowledges that Franchisor may update the ProSource Confidential Operations Manual from time to time by making changes thereto and providing such changes on Franchisor's secure website and providing Franchisee with access thereto. All modifications to the ProSource Confidential Operations Manual shall be binding upon Franchisee upon being made available to Franchisee. Franchisee agrees to accept, implement, and adopt any such modifications at Franchisee's sole cost. Franchisee agrees that it is of substantial value to Franchisor and other franchisees, as well as to Franchisee, that the System establishes and maintains a common identity. Franchisee agrees and acknowledges that full compliance with the ProSource Confidential Operations Manual is essential to preserve, maintain and enhance the reputation, trade demand, and goodwill of the System and the Marks and that failure of Franchisee to operate the Showroom in accordance with the ProSource Confidential Operations Manual can cause damage to the Franchisor, the System and all other franchisees within the System as well as to Franchisee. Notwithstanding the foregoing, and consistent with the goals of the System, Franchisee shall be responsible for the day to day operations of the Showroom.

5.25 Miscellaneous Obligations. Prior to opening Franchisee's ProSource Showroom, Franchisee must procure communications and any equipment specified by Franchisor. Franchisee shall at all times maintain access to the internet at a high speed connection in compliance with the ProSource Confidential Operations Manual. Franchisee will also need to acquire the brands, types and/or models of computer hardware and software to enable Franchisee to use the Software. Franchisee shall have and maintain sufficient net worth and working capital at all times to adequately and properly finance and operate the Franchisee's ProSource Showroom. Franchisee expressly covenants and agrees to accept full responsibility for any and all debts and obligations incurred in the operation of the Franchise.

6. Operation of Franchise

6.1 Training. Franchisee shall notify Franchisor at least sixty (60) days prior to the scheduled training class(es) of the persons who will undergo the training described in Section 4.1. Franchisee agrees that the Principals, Manager, Kitchen and Bath Designer and Account Managers must successfully complete training at least sixty (60) days prior to the opening of Franchisee's ProSource Showroom.

6.2 Eligibility for Training. Only the Principals of Franchisee and employees of Franchisee shall be eligible to receive the training provided by Franchisor under this Agreement.

6.3 Training Location and Time. The initial training will be provided by Franchisor at a location to be selected by Franchisor at such time(s) as may from time to time be designated by Franchisor upon at least thirty (30) days prior notice. Franchisee agrees to abide by Franchisor's schedule for training.

6.4 Independent Contractor and Business. Franchisee is, and shall in all events and at all times during this Agreement be, an independent contractor, and nothing contained herein or in the Confidential Operations Manual shall deem Franchisee (or its principals, agents, officers, employees or independent contractors) to be the agent, partner, joint venturer, fiduciary, employee, or representative of Franchisor for any purpose whatsoever. Franchisee is responsible for the day to day operations of the Franchise subject only to complying with the terms of this Agreement. Franchisee and Franchisor acknowledge that the operation of the Franchise by Franchisee is for the sole profit or loss of Franchisee (except for those payments required to be made by Franchisee to Franchisor under this Agreement), and that Franchisee shall be completely responsible for the employment, direction, control, supervision, management and acts of Franchisee's agents, employees and representatives. Furthermore, Franchisee agrees and acknowledges that Franchisor does not have the authority to direct, control, schedule, supervise, or otherwise influence, employment decisions. Franchisee further acknowledges that Franchisee has no authority from Franchisor, under this Agreement or otherwise, to incur any obligations or responsibilities on behalf of Franchisor or bind Franchisor by any representations or warranties, and Franchisee agrees not to act, or fail to act, in any manner which would cause anyone to believe that Franchisee has such authority. Franchisor shall not be liable (vicariously or otherwise) for any of Franchisee's actions or omissions (or the acts or omissions of Franchisee's employees or agents) in the operation of the Franchise or otherwise or for any claim or judgment against Franchisee. Franchisor shall further not be liable for any damages to any person or property, directly or indirectly, arising out of the operation of Franchisee's business, whether caused by Franchisee's negligent or willful action or failure to act.

6.5 Use of Legal and Assumed Business Name. Franchisee shall forthwith register in the Office of the Secretary of State of the State in which the Franchise is located, or in such other public office as required by applicable Laws, the fictitious name under which Franchisee shall conduct the business of the Franchise. Franchisee is hereby authorized to use during the term of this Agreement only, any of the following trade or fictitious business names: (i) "ProSource Wholesale" or "ProSource of _____" (as designated on Page 3 of this Agreement) ; or (ii) any other assumed business name for which Franchisor has given its prior written consent, which consent may be unreasonably withheld. Franchisee shall provide Franchisor with a copy or other proof of such registration of Franchisee's fictitious name promptly after filing. In all of Franchisee's transactions and other acts in connection with the operation of the Franchise, Franchisee shall use Franchisee's name either alone or followed by the initials "d/b/a" and Franchisee's authorized fictitious name. Franchisee shall be permitted to use the Marks in Franchisee's fictitious name only to the extent approved by Franchisor in writing. Franchisee shall not use "ProSource," any other Marks, or any other name or mark in which Franchisor has a proprietary interest, or any derivative or combination of words including any part or all of the foregoing, as part of Franchisee's legal name. Franchisee shall take such additional action as may be necessary under the laws of the state in which the Franchise is operated to make clear to the public that Franchisee is an independent franchisee of Franchisor and not owned by Franchisor. Franchisee shall post a sign in a form approved by Franchisor in a conspicuous place on the Showroom premises, as well as on invoices,

purchase orders, marketing materials and the like that "This ProSource Franchise is independently owned and operated by [Franchisee name] under license from Leading Edge Marketing, Inc."

6.6 Conduct of Business. Franchisee shall obtain and maintain at Franchisee's sole expense sufficient space for the efficient operation of the Franchise and shall use Franchisee's best efforts to maintain the same in a safe and orderly manner, presenting a neat and business-like appearance to the public. Franchisee acknowledges that the quality of customer service and every detail of appearance and demeanor of Franchisee and its employees is material to this Agreement and the relationship created hereby. Franchisee shall endeavor to maintain and require from its employees high standards of quality and service in the operation of the Franchise. Franchisee shall in all dealings with its customers, vendors and the general public adhere to the highest standards of honesty, fair dealing and ethical conduct.

6.7 Maintenance and Repair. Franchisee agrees to maintain the Showroom together with all fixtures, furnishings, signs and equipment thereon and therein in a first-class manner and in conformity with Franchisor's then-current standards at all times and to make such repairs and replacements thereto as Franchisor may require and/or as necessary to maintain the Showroom in a first-class manner. Without limiting the generality of the foregoing, Franchisee acknowledges that Franchisee may be required to "refresh" the Showroom to the then current specifications for a Showroom at such time as determined by Franchisor, provided any such refreshening shall not be required prior to the fifth anniversary of the opening of the Showroom. The preceding sentence shall not have any effect on Franchisee's obligations of renovation and modification in the event of a transfer as provided in Section 12.1C. Franchisee agrees to keep the Showroom at all times in a high degree of cleanliness, repair, order and condition, including without limitation, such maintenance and repair to all fixtures, furnishings, signs and equipment as Franchisor may from time to time reasonably direct.

6.8 Compliance with Laws. Franchisee shall maintain all required licenses, permits and certificates necessary to operate the Franchise. Franchisee shall operate the Franchise in compliance with all Laws, including, without limitation, laws relating to environmental practices, labor, the Americans with Disabilities Act, worker's compensation and insurance, unemployment insurance, state and federal labor and employment laws (including, but not limited to, the Fair Labor Standards Act (FLSA), Family and Medical Leave Act (FMLA), Occupational Safety and Health Act (OSHA), Employee Retirement Income Security Act (ERISA), Title VII, the Age Discrimination in Employment Act and the Affordable Care Act), privacy, data protection and cyber-security, anti-discrimination and anti-harassment, advertising (including without limitation Anti-Spam laws and Do Not Call laws) and withholding and payment of federal, state and local income taxes, social security taxes and sales taxes, as well as any other laws pertaining to the operation of the Franchise. Without limiting the foregoing, Franchisee is responsible for the timely payment and timely reporting of all taxes, charges, fees, levies, duties, tariffs or other assessments imposed by or payable to any federal, state, local or foreign tax or governmental authority, including without limitation sales, use, goods, services, value added, transfer, customs and import duties, personal property, stamp duty, excise, withholding, and other obligations of the same or similar nature imposed by any governmental authority on fees or other amounts paid by Franchisee to Franchisor or its Affiliates, provided, however, that Franchisee will not be responsible for any Taxes due on or with respect to the net income of Franchisor or any Franchisor Affiliate. Franchisee shall be compliant with the Payment Card Industry Data Security Standards (PCI-DSS) regarding the security of credit card information as it is amended from time to time, and/or such other industry standard as may hereafter replace PCI-DSS as determined by Franchisor. All advertising and promotion by Franchisee must be completely factual and conform to the highest standards of ethical advertising. Franchisee must refrain from any activity or advertising practice which may be injurious to Franchisor, other franchisees, the System, or the goodwill associated with the Marks. Without limiting the foregoing, Franchisee shall be responsible for maintaining and protecting personally identifiable information of any customer or

member in operating the Franchise. Franchisee shall provide prompt written notification to Franchisor in the event there is a data breach of any member or customer personally identifiable information.

6.9 Software. Franchisor has designated certain required software to be used by Franchisee in the operation of the Franchise. First, Franchisee must license the *Retail Flooring Management System* software from Resource and Financial Management Systems, Inc. ("~~RFMS~~ ") pursuant to an agreement directly between Franchisee and RFMS and must pay a license fee directly to RFMS. Second, Franchisee must license *20/20 Software* from 20-20 ~~Technologies, Inc.~~Design / Cyncly and must pay a license fee directly to Franchisor. The *20/20 Software* is for Franchisee's operation of the Cabinets portion of the business. Franchisor reserves the right to change designated software vendors. Additionally, Franchisee must license the Gateway software from Franchisor. The RFMS software, the 20/20 software, the Gateway software and such other types of software required by ProSource from time to time are collectively referred to herein as "Software" (as that term is further defined in Section 17.~~20~~19). Franchisee must install and utilize the Software in the operation of the Franchise. Franchisee shall obtain the required hardware and specifications necessary to utilize the Software. Franchisee shall update the Software from time to time as directed by Franchisor or the licensor of the Software. Franchisee further agrees to license and use any additional software or replacement software that Franchisor provides or directs Franchisee to obtain in the future in connection with the operation of the Franchise for the then current fee, if any. Such fees may include a component for installation, conversion, training, maintenance and licensing. Franchisee agrees to procure any additional hardware necessary to operate any such updated, additional or replacement software. If requested by Franchisor, Franchisee must enter into a support agreement with the designated support provider as specified in the ProSource Confidential Operations Manual. If Franchisor provides on-site assistance to Franchisee, all travel, food and lodging expenses incurred by Franchisor or Franchisor's designated vendor shall be paid by Franchisee. Franchisee shall pay a monthly fee for Software upgrades as determined by Franchisor or the software provider (or as designated by Franchisor to a third party provider) to cover the cost of upgrades, updates, revisions and new releases for the Software. That fee for the RFMS software is currently between $567 and $927 per month depending on the number of users and is payable directly to RFMS~~.~~ but is subject to change if RFMS raises its fees. This fee is set by RFMS and is subject to change. The fee for the *20/20 Software* is currently $1,~~440~~540 per year and is paid directly to Franchisor~~,~~ but is subject to change if 20-20 ~~Technologies, Inc.~~Design / Cyncly (or any future software provider) raises its costs to Franchisor. The fee for the Gateway software is $99 per month payable to Franchisor, however ongoing development of such software may lead to increased fees upon completion. Upon request but in no way to minimize Franchisee's obligations to provide requested information in timely manner in the required format as provided in this Agreement, Franchisee agrees to grant Franchisor remote access via internet, third party connection or otherwise to Franchisee's computer system and the data contained therein for Franchisor to review and download (but not alter) any information that Franchisee is required to submit to Franchisor under the Franchise Agreement and in such event Franchisee shall dedicate the necessary equipment including telephone lines in order to allow 24 hour access by Franchisor to such data. Without in any way limiting Franchisee's obligation to operate its ProSource Showroom in strict compliance with the Confidential Operations Manual, (i) Franchisee shall utilize any and all customer relationship management tool(s) in its operation of its ProSource Showroom as required by Franchisor and as set forth in the Confidential Operations Manual; and (ii) Franchisee shall utilize any and all business intelligence tool(s) or system(s) in its operation of its ProSource Showroom as required by Franchisor and as set forth in the Confidential Operations Manual. An example of such a customer relationship management tool would be the PALM system, and an example of such a business intelligence tool or system would be Compass.

6.10 Prices. Except as otherwise provided herein, Franchisee is free to establish the prices for the floorcovering products, K& B Products and other goods sold by Franchisee. Franchisor, at its option,

may provide suggested prices for certain of the floorcovering products or K&B Products or other goods sold by Franchisee. Franchisee must comply with any discounts for members/customers which Franchisor determines to implement as part of any special national or regional marketing strategy provided Franchisee has elected to participate in such special national or regional marketing strategy developed by Franchisor. Furthermore, to the extent implemented by Franchisor in the future as permitted by applicable law, Franchisee agrees to comply with any maximum and/or minimum price levels established by Franchisor for products purchased directly from Franchisor or Franchisor designated suppliers.

6.11 Prohibited Practices. Franchisee shall not (i) engage in any unlawful reproduction, distribution, offer and/or sale of goods or services which are immoral, illicit or offensive or which would discredit or denigrate the reputation or goodwill of Franchisor, the ProSource name, the ProSource System, any franchise or the Marks; (ii) engage in any unauthorized use of the Marks; (iii) engage in any unfair and/or deceptive trade practices; (iv) offer any floorcovering or related product installation services; (v) offer any Cabinets or related product installation services; (vi) sell any product or offer any services not authorized by Franchisor; (vii) disseminate any advertisement to an end user customer ("end user customer" is a person or entity that will use the product for such person/entity's own enjoyment and does not include a person or entity that will use the product for such person's/entity's business use or will resell such product); and/or (viii) take or omit to take any action which causes Franchisee and Franchisee's employees from maintaining the highest level of ethical advertising and customer relations in keeping with industry standards.

6.12 Sales Reports. Each month during the term of this Agreement and in the month immediately following the termination of this Agreement, Franchisee shall remit to Franchisor a sales report(s) on a form prescribed by Franchisor showing all Gross Sales of the Franchise and such other detail as required by Franchisor (which may include detail on customers or other required information) for the preceding calendar month. Franchisee will be required to complete and remit a sales report on all sales of Cabinets and a sales report on all sales of floorcoverings. All sales reports shall be delivered to Franchisor in the manner required by Franchisor (which may be electronically) on or before the due date of each calendar month for the preceding calendar month's Gross Sales. The requirements for each report will be specified in the ProSource Confidential Operations Manual.

6.13 Financial Statements. Prior to the Showroom opening, Franchisee shall provide Franchisor with such information and financial statements as Franchisor may request from time to time. During the first twelve months of Franchisee's operation of the Franchise, Franchisee shall provide to Franchisor on a quarterly basis a complete financial statement for Franchisee's operation of the Franchise covering each fiscal quarter (or portion thereof) of the Franchisee's operation of the Franchise within thirty-five (35) days following the close of each such quarter. Thereafter, a complete and accurate financial statement for the Franchise shall be provided to Franchisor for each calendar year of Franchise operations within sixty (60) days following the close of each such calendar year. Said financial statement shall include, but not be limited to, profit and loss statements and balance sheets and accompanying notes. Annual financial statements submitted by Franchisee must be reviewed and attested to by Franchisee prior to submission. All such financial statements shall contain no false or misleading information. Franchisor reserves the right to (i) approve or reject the form in which Franchisee supplies said financial statements and if Franchisor rejects the form, Franchisee agrees to resubmit the information in a form acceptable to Franchisor, and (ii) prescribe the forms to be used. All financial statements shall be delivered to Franchisor in the manner required by Franchisor (which may be electronically) on or before the due date for such statements as designated by Franchisor. If Franchisee fails to provide these financial statements when due, Franchisor may, in its discretion, charge a late fee of Fifty Dollars ($50) per day for each day the financial statement is late, reduced, if necessary, to the extent such payment exceeds the amount

permitted by any applicable Laws. Any such late fee shall be due and payable when imposed. Upon request, for a fee, Franchisor may reformat Franchisee's financial statements to the required format.

6.14 Federal & State Reports. Franchisee shall file all State and Federal reports and returns as may be required by law in connection with the operation of the Franchise. At the request of Franchisor, Franchisee shall furnish accurate and complete copies of such Federal and State reports and returns to Franchisor at the time such reports and returns are filed or as may be requested by Franchisor. Notwithstanding anything to the contrary contained in this Section 6.14, Franchisee shall not be required to submit reports, tax returns, or other information which do not relate to the operation of the Franchise except as may be required by Franchisor to assure Franchisor of Franchisee's ability to reimburse Franchisor for costs and expenses incurred by Franchisor on Franchisee's behalf and to comply with Franchisee's obligations under this Agreement and/or any Related Agreement.

6.15 Software Reports. Franchisee shall use the Software as instructed by Franchisor in tracking the business activity of the Franchise as required by Franchisor which will include tracking information by transaction and customer, as well as tracking sales activity by floorcovering and Cabinet activity separately. Franchisee shall use only software authorized by Franchisor on Franchisee's computer used in the operation of Franchisee's Showroom. Franchisee shall comply with all requirements regarding the format and content of such reports as currently set forth in the ProSource Confidential Operations Manual and as may be amended from time to time.

6.16 No Liability; No Warranty. Franchisor shall have no liability to Franchisee for any damages caused or alleged to be caused by (i) the Forms; (ii) the Software; (iii) Franchisor's accessing of information pursuant to Section 6.9 above; or (iv) any supplies or products purchased from or specified by Franchisor. FRANCHISOR EXPRESSLY DISCLAIMS ANY WARRANTY, EXPRESS OR IMPLIED, AS TO THE SOFTWARE OR ANY SUPPLIES OR PRODUCTS PURCHASED FROM OR SPECIFIED BY FRANCHISOR, INCLUDING BUT NOT LIMITED TO ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE.

6.17 Audit. Franchisor shall have the right, at all reasonable times during regular business hours, to copy, examine and audit Franchisee's financial books and records relating to the Franchise. Such audit may be conducted either by an employee of Franchisor or an independent contractor engaged by Franchisor for said purposes, and Franchisee agrees to allow Franchisor (or Franchisor's designated representative) access to all financial and/or other documents related to the Franchise as same may be requested by Franchisor. Any and all costs and expenses for the copies, examinations and audit shall be borne exclusively by Franchisor, except that (i) should Franchisee fail to remit a sales report in the proper format to Franchisor within fifteen (15) days from the date a sales report is due, Franchisor may copy, examine and/or audit Franchisee's books and records to determine Gross Sales and any royalty payment or other fees due, and charge Franchisee the expenses of said examination and/or audit, (ii) should an audit have to be re-scheduled due to Franchisee's lack of preparation and/or condition of Franchisee's books and records, Franchisee shall be charged for the expenses of any follow-up visit or visits, and (iii) should any examination and/or audit by Franchisor of Franchisee's books and records establish Franchisee's failure to report Gross Sales and/or pay any royalty or fees by at least two percent (2%) of that which should have been reported or paid, Franchisee shall promptly pay to Franchisor the expenses of said examination and/or audit, all other payments or charges which may be due together with interest in the unpaid amounts from the date they should have been paid until paid at the rate of 18% per annum (or the highest amount allowed by state law, whichever is less). Franchisor retains the right to (x) monitor Franchisee's books and records through other means as determined by Franchisor, or (y) require the submission of daily reports by Franchisee to Franchisor in order to remedy a situation, real or perceived, of consistent or persistent under-reporting or under-payment by Franchisee. If Franchisee's records are

insufficient or inadequately maintained in order to enable an accurate assessment of Franchisee's liability hereunder, Franchisee shall be deemed to have a liability and Franchisee shall pay an amount equal to two times the average amount owed by the franchisees properly maintaining their records for the time period Franchisee's records are insufficient or inadequate. The remedies provided for Franchisor above are not exclusive and shall be in addition to any other remedies provided in this Franchise Agreement or elsewhere.

6.18 Credit Sales. Extension of credit shall be the sole responsibility and the sole risk of Franchisee. Continuing royalty and advertising fees shall be due and payable on credit sales as if the sale was made for cash.

6.19 Legal Owners. In addition to completing Schedule A attached hereto, promptly upon request by Franchisor, Franchisee shall furnish Franchisor with a list of all holders of legal and beneficial interests in Franchisee.

6.20 Franchisee Designee. Franchisee shall designate one person to be the authorized representative for Franchisee in all dealings with Franchisor, and such designee shall be referred to as the "Primary Owner" and shall be specified on Schedule A attached hereto. Franchisee represents that such designee has full authority to act and bind the Franchisee without further input or consent from other persons. Upon request, Franchisee will produce documentation that supports the authority of such designee. Franchisor reserves the right to require Franchisee to change the designee if Franchisor and such designee are unable to work together in a productive manner.

7. Advertising and Marketing

7.1 Value. Franchisee recognizes the value of advertising and marketing and the importance of the standardization of advertising and marketing programs to the furtherance of the Goodwill, public image and reputation of the System and all ProSource franchisees.

7.2 Advertising Restrictions. In order to ensure the necessary quality, uniformity and continuity of advertising, marketing and promotional activity for all ProSource franchises operating under the System, Franchisee agrees that Franchisee will not advertise or market (i) Franchisee's ProSource Showroom, or (ii) the products or services of the ProSource Showroom ("ProSource Products/Services"), except in compliance with this Agreement. Franchisee agrees not to advertise or market Franchisee's ProSource Showroom or the ProSource Products/Services by means of newspaper advertisements or radio or television commercials, but Franchisee can utilize a simple "line listing" in its local white and yellow pages directories. Franchisee shall not use bulk texting, bulk faxing or robo calling as a form of marketing the Showroom. Franchisee may not hold any sweepstakes, lottery or other game of chance with respect to the Showroom without the prior written consent of Franchisor. Franchisee also agrees not to alter or reproduce, or have altered or reproduced, any of the advertising or marketing materials Franchisee receives from Franchisor in any manner, except as authorized by Franchisor in writing. Franchisee also agrees to use the digital marketing strategies, telemarketing methods, member acquisition, direct mail, and other systems and materials developed by Franchisor for ProSource Showrooms and/or ProSource Products/Services. Franchisor retains copyright and all ownership rights in any advertising or marketing materials, and content therein, created by Franchisor for use by Franchisee. Notwithstanding the foregoing, however, Franchisee shall be free to develop other direct mail or telemarketing and similar types of targeted, customer-specific advertising material ("Permissible Medium") for use by Franchisee, provided Franchisor's prior written approval for the use of such advertising or marketing material is obtained. Franchisee agrees that unless Franchisor provides written approval to any submitted advertising or marketing materials within ten business days of their submission, such materials shall be deemed to be

not approved. Franchisee agrees not to carry out any advertising, marketing or promotional activities, or to publish or distribute any advertising, marketing or promotional materials unless approved in advance by Franchisor in writing. Franchisee agrees not to disseminate any advertisement to an "end user customer" (as previously defined) except if such advertisement is a co-branded message with a trade professional member and such advertisement is pre-approved by Franchisor. Franchisee agrees not to advertise within another franchisee's designated protected area unless advertising jointly with such franchisee or otherwise permitted by Franchisor. Franchisee agrees that all advertising, marketing and promotional activities that Franchisee undertakes pursuant to this Agreement will be completely factual and will comply with Franchisor's advertising and marketing guidelines. Franchisee will be solely responsible for compliance with all Laws applicable to advertising and promotional activities in Franchisee's jurisdiction including, without limitation, all laws relating to Anti-Spam and Do Not Call laws, such as the CAN SPAM ACT, and their equivalents in Canada.

Franchisee must comply with Franchisor's e-mail marketing policy as it currently exists and as it may be amended from time to time. Franchisor's e-mail marketing policy will be either provided to Franchisee in writing and/or provided in the ProSource Confidential Operations Manual. Franchisor's e-mail marketing policy requires that Franchisee use an e-mail service provider approved by Franchisor. Franchisor's e-mail marketing policy(ies) may include, without limitation, procedures to be followed by Franchisee in requesting approval for e-mail content, as well as restrictions on content and other topics. If Franchisor incurs costs in reviewing, approving or monitoring Franchisee's requested material for approval for use with an outside e-mail service provider, Franchisee must reimburse Franchisor for these costs.

Franchisee shall comply with all advertising and marketing policies specified in the ProSource Confidential Operations Manual.

7.3 Advertising Procedures. Franchisee's advertising and marketing of Franchisee's ProSource Showroom and/or the ProSource Products/Services must comply with Franchisor's policies and requirements as set forth in this Franchise Agreement and as may be set forth in the Confidential Operations Manual. Franchisee agrees to use only the advertising or marketing materials supplied by Franchisor and/or Permissible Medium advertising or marketing materials developed by Franchisee which have been approved by Franchisor prior to their use by Franchisee. Franchisee agrees to abide by all advertising and marketing decisions made by Franchisor from time to time. Franchisee shall comply with all advertising and marketing policies specified in the ProSource Confidential Operations Manual.

In addition to those advertising and marketing obligations specified herein, Franchisee must pay Franchisor a Marketing Services Fee which as of the date of this Agreement is equal to $585 per month but is subject to change from time to time as provided in the Confidential Operations Manual. In consideration for this fee, Franchisor provides the following customized services for Franchisee: creative and content development, marketing software licenses and usage fees, program management and Showroom reporting. The Marketing Services Fee shall be credited toward Franchisee's marketing obligations set forth below.

From time to time during the term of the Franchise Agreement, Franchisor may notify Franchisee of a particular mandatory advertisement or advertising program to be used by Franchisee. In such notice, Franchisor will designate the advertising medium to be used, the target audience, the estimated cost to Franchisee, and the procedure for implementing such advertising. Franchisee agrees to use such advertisements as specified by Franchisor. In the event Franchisor designates a supplier or printer which Franchisee must use for such advertising, Franchisee shall purchase such advertising from such supplier or printer and in such case, Franchisee shall pay such supplier or printer directly for all advertising materials received from such supplier and/or printer. Notwithstanding the foregoing, if Franchisee

proposes to use a supplier or printer other than the supplier or printer designated by Franchisor for any such required advertisement, Franchisee shall submit to the Franchisor sufficient specifications, photographs and other information and samples for examination and testing sufficient for Franchisor to determine whether the supplier and/or printer meet Franchisor's specifications, qualifications and standards. Franchisee shall reimburse Franchisor for the reasonable costs of any such investigation. If Franchisee demonstrates that the proposed printer or supplier meets Franchisor's specifications, qualifications and standards as determined by Franchisor in its sole discretion, Franchisor will so notify Franchisee of same and Franchisee may use such approved supplier or printer.

Franchisee agrees that during the Franchisee's first year of operation, Franchisee will purchase advertising and marketing material supplied or designated by Franchisor in an amount as designated by Franchisor, which shall not exceed Thirty Thousand Dollars ($30,000.00) for the Franchisee's ProSource Showroom Grand Opening Program and shall be a minimum of Twenty Five Thousand Four Hundred Dollars ($25,400.00) thereafter. For purposes of the preceding sentence, the "first year of operation" shall commence sixty (60) days prior to the agreed date of opening the Franchisee's ProSource Showroom and shall expire one (1) year after the actual opening of Franchisee's ProSource Showroom. Franchisee agrees to pay the suppliers of all services connected with the Grand Opening Program and all suppliers or printers approved by Franchisor for any local advertising of the Franchisee's ProSource Showroom and/or the ProSource Products/Services directed by Franchisor. In addition, Franchisee agrees to reimburse Franchisor upon demand by Franchisor in the event Franchisor, at Franchisor's option, prepays any advertising or marketing expenses on behalf of Franchisee. In addition, Franchisee has the right to expend additional monies for additional advertising and marketing of the Franchisee's ProSource Showroom and/or the ProSource Products/Services, subject to the terms and conditions of this Agreement, provided any such sums expended shall not be considered in determining whether Franchisee has exceeded the limits imposed by this Agreement on the amounts that will be expended on advertising and marketing supplied or designated by Franchisor.

After the first year of operation, for each year thereafter, Franchisor will create a personalized marketing plan by analyzing local market opportunities across digital marketing channels in combination with the Showroom's historical and/or projected member and prospect activity and such other factors as deemed appropriate by Franchisor. Franchisee will be presented with such marketing plan and Franchisee will have the option to accept such plan and agree for Franchisor to implement such plan on Franchisee's behalf. If Franchisee accepts such plan, Franchisee will pay the designated monthly marketing fee to Franchisor upon receipt of a monthly invoice. If Franchisee does not agree to such plan, Franchisee must submit to Franchisor for approval a marketing plan for such calendar year. Franchisee agrees to modify such plan as required by Franchisor in order for such plan to be approved and once approved Franchisee shall implement such approved plan. This marketing requirement is subject to change from time to time as may be provided in the Confidential Operations Manual. In addition, Franchisee agrees that if at any time during the term of this Franchise Agreement Franchisee either relocates the Showroom or engages in a significant remodeling of the Showroom (each with prior written Franchisor approval), Franchisee shall spend additional monies on advertising and marketing over and above normal requirements specified herein as prescribed by Franchisor, provided such additional monies shall not exceed $12,500. A "significant remodeling" shall occur at such time when Franchisee increases the square footage of the Showroom.

7.4 System Branding Fund. In addition to the other advertising and marketing monetary expenditures required hereunder, Franchisor reserves the right to institute a System Branding Fund (the "Fund") to which Franchisees would be required to contribute on a periodic basis. If implemented, the required contribution during the initial term will not be greater than 1/4 of one percent (1/4%) of Gross Sales. If implemented, the Fund will be maintained and administered by Franchisor or its designee and

Franchisor will oversee all advertising and promotional programs, marketing and public relations with the unfettered right to approve or disapprove the concepts, materials and media used in such programs and the placement and allocation of these programs. Franchisor shall have the right to determine how the monies in the Fund will be expended in its discretion. In administering the Fund, Franchisor is not acting in a fiduciary capacity for Franchisee. Franchisee acknowledges and consents that Franchisor is not obligated and makes no promises to make expenditures out of the Fund which are equivalent or proportional to Franchisee's contribution to the Fund or to ensure that all franchisees benefit equally or pro rata from the advertising and promotion conducted by the Fund. Franchisee agrees that the Fund will be used to cover the costs of advertising, marketing and promotional activities, including, without limitation, direct mail campaigns, advertising by radio, television, magazine and newspapers, marketing surveys, website advertising, applications development, billboard advertising, advertising and participation in trade shows, public relations activities, employing advertising agencies, market research, production of advertising material, media planning and placement, marketing personnel and any other costs associated with the development, marketing and testing of advertising and marketing and the purchasing of advertising time, space or materials in national, regional or other advertising media. The money contributed to the Fund would be maintained in a separate account from Franchisor's other monies and shall not be used to cover any of Franchisor's expenses, except for reasonable administrative costs including salaries of marketing staff and those involved with marketing and out of pocket costs of managing and administering the Fund. The Fund will be authorized to collect rebates from suppliers. Franchisee understands that to the extent that contributions to and earnings of the Fund during any year are not fully used, the excess shall be carried forward and used for Fund activities the following year. Franchisor reserves the right to operate the Fund out of a separate entity. Contributions to the Fund would be made by electronic funds transfer or as otherwise designated by Franchisor. The operation of the Fund would be subject to change as provided in the Confidential Operations Manual from time to time.

If implemented, Franchisor agrees each fiscal year to have an internal accounting of the Fund prepared, and upon the written request of the Franchisee (and provided that Franchisee is then in good standing), Franchisor will provide Franchisee with a copy of the most recently completed accounting of the Fund.

7.5 Local Advertising Cooperatives. Franchisee's Area may be located in an area in which other franchisees of Franchisor and/or Franchisor owned ProSource Showrooms are or will also be located. In these cases, Franchisor may determine that all ProSource franchises sharing the same local advertising market area should participate in market-wide cooperative advertising arrangements. If Franchisor makes such a determination with respect to Franchisee's Area, Franchisee's participation will be mandatory. Franchisor shall have the authority to set the terms of any such cooperative advertising arrangements, and to make changes to those arrangements from time to time as Franchisor deems necessary, and Franchisee agrees to participate in any such cooperative advertising arrangements as directed by Franchisor, although Franchisor agrees to permit the activities of the cooperative to be controlled locally in accordance with guidelines set forth in the ProSource Confidential Operations Manual. If the majority of franchisees in any such cooperative or other regional advertising group agree on a particular advertisement, all franchisees within such area must participate and failure to do so shall constitute a default under this Agreement. In addition, if 60% of the franchisees in any such cooperative or other regional group agree to raise (but cannot lower) the minimum local advertising expenditures, all franchisees in such area must comply with the increased expenditure requirement and failure to do so shall constitute a default under this Agreement. If any cooperative advertising arrangement designated by Franchisor covers an area in which one or more Franchisor-owned ProSource Showrooms are located, Franchisor-owned ProSource Showrooms will participate in the cooperative arrangement on the same basis as franchised stores located in the affected market area.

7.6 Mandatory Programs. Franchisee agrees to participate in all advertising and marketing and digital platform programs designated by Franchisor as mandatory from time to time. As of the date of this Agreement, Franchisee must participate in a mandatory digital platform program which, as of the date of this Agreement, requires payment by Franchisee of a monthly Digital Platforms Fee of $1,030 plus a variable amount as calculated below. The variable amount is calculated based on Franchisee's Gross Sales: $0 on first $1.5 Million in Gross Sales; 0.25% of Gross Sales from $1.5 Million up to $8 Million; 0.2% from $8 Million to $12 Million; ~~and~~ 0.15% of Gross Sales from $12 Million to $16 Million; and .10% of Gross Sales in excess of $~~12 Million~~16 million. This variable component is calculated annually each October based on Gross Sales for the 12 month period ending the preceding August, and is payable monthly beginning the following January. The Digital Platforms Fee is subject to change from time to time as provided in the Confidential Operations Manual

Franchisor has developed a proprietary marketing system for its franchisees. Through this system, Franchisor identifies and obtains leads or prospects for its franchisees and showrooms and updates and maintains such list of leads or prospects in a database system (the "CRM Platform"). Upon payment of the CRM Platform Fee and subject to Franchisee being in compliance with this Agreement, Franchisor will license to Franchisee the right to use leads or prospect names contained within the ProSource National Database that are located in Franchisee's Area in the marketing of Franchisee's ProSource Showroom. The CRM Platform Fee as of the date of this Agreement is $249 per month but is subject to change from time to time as provided in the Confidential Operations Manual.

7.7 Internet. Franchisee agrees and acknowledges that protection of Franchisor's Marks and image is critically important to the success of the System. Accordingly, Franchisee shall not create a home page, blog, social media page or profile (including without limitation a page or profile on a social media website such as Facebook, Instagram, TikTok, Twitter or Snapchat), web video page (including but not limited to a You Tube channel), app, or any other public page for the Franchise on the Internet or other computer network without Franchisor's prior written approval. Further, Franchisee acknowledges that in relation to the Marks, the Know-How and Franchisor's intellectual property rights in general, it will act with care when using any social media and shall always do its upmost to look after the best interest of Franchisor and the ProSource System and anything to be published, circulated, transmitted or disseminated in any way by or through social media shall be subject to the Franchisor's prior written approval. Franchisee may not use any Mark on the Internet or in a domain name or email address without Franchisor's prior written consent. Franchisee shall not authorize any other person to use any Mark on the Internet or in a domain name or email address or otherwise market, advertise or promote the Franchise without Franchisor's prior written consent. Franchisee shall notify Franchisor if it becomes aware of the use by any of Franchisee's members or contacts of any Mark on a website or on the Internet. Franchisee shall comply with Franchisor's internet policy as it exists as of the date hereof and as it may be amended from time to time. Franchisor's internet policy will be either provided to Franchisee in written form and/or provided by being set forth in the ProSource Confidential Operations Manual. This policy may include without limitation, procedures to be followed by Franchisee in requesting approval for a home page or website or content thereon, as well as restrictions on content, linking, framing, metatags and other topics. Franchisee agrees that if Franchisor incurs costs in reviewing, approving or monitoring Franchisee's requested material for approval for use in a home page, website or otherwise for the Internet, Franchisee will reimburse Franchisor for any such costs. Subject to change from time to time as provided in the Confidential Operations Manual, Franchisor does provide Franchisee with a license to use Local Showroom Pages from Franchisor's website and in connection with same, Franchisor does provide Franchisee with search engine optimization, directory management and reputation management services. For such services, Franchisee shall pay Franchisor the Local Showroom Pages Fee. The Local Showroom

Pages Fee as of the date of this Agreement is $279 per month but is subject to change from time to time as provided in the Confidential Operations Manual.

Franchisor reserves the right to sell products and services under the Mark and System through the Internet on terms set by Franchisor from time to time which may include purchasers located within the Area. Franchisor may offer Franchisee the opportunity to participate in such Internet sales. Franchisee must adhere to the pricing structure and negotiated terms (which may include Franchisor receiving a commission on such Internet sales to compensate Franchisor for the costs incurred in the e-commerce business) established by Franchisor in order to participate in such Internet sales. Franchisee may refuse to adhere to the pricing structure and negotiated terms for Internet sales, but if Franchisee so refuses, Franchisor may thereafter not offer Franchisee the opportunity to participate in future Internet sales and may extend such offer to another franchisee whose sales over the internet may include customers in Franchisee's Area. Franchisee shall not engage in e-commerce over the Internet except as expressly permitted in advance and in writing by Franchisor. Franchisee must comply with all of Franchisor's policies with respect to use of Franchisor's website as they currently exist, or as they are amended from time to time.

7.8 Franchisee Representations and Warranties on Advertising/Marketing.

A. Franchisee agrees and acknowledges that Franchisor shall have the power from time to time to adopt and/or change minimum advertising or marketing requirements and that Franchisee agrees to abide by all requirements issued by Franchisor relating to the advertising and marketing of Franchisee's ProSource Showroom and/or the ProSource Products/Services. Franchisee acknowledges that any advertising or marketing requirement change may be contained in the ProSource Confidential Operations Manual.

B. Franchisee consents to Franchisor advertising or marketing Franchisee's ProSource Showroom and/or the ProSource Products/Services and/or the ProSource System within Franchisee's Area. In addition, Franchisee agrees and consents that Franchisor has the right to advertise Franchisee's ProSource Showroom and/or the ProSource Products/Services and/or the ProSource System on a nationwide basis through any medium including without limitation, the internet, that Franchisor determines is the most effective.

C. Franchisee agrees that except for advertising and marketing permitted by this Agreement, Franchisee shall not have the right to advertise or market in a manner directly or indirectly related to the Franchise, Franchisee's ProSource Showroom, the ProSource System and/or the ProSource Products/Services. Included within Franchisee's obligations set forth in Section 5.15 above, Franchisee agrees to indemnify and hold Franchisor harmless from any liability, loss or expense including reasonable attorneys' fees, resulting from such unauthorized advertising, including Franchisee's advertising through an unauthorized medium, or from Franchisee's failure to otherwise meet the requirements contained in this Agreement. If and when this Franchise Agreement terminates or expires, Franchisee agrees to immediately cease (i) advertising Franchisee's ProSource Showroom, the ProSource Products/Services, the ProSource System and the Franchise, and (ii) utilizing any advertising materials Franchisee has received from Franchisor. In addition, Franchisee agrees to return to Franchisor all advertising materials in Franchisee's possession at such time.

8. Fees and Charges

8.1 Initial Franchise Fee. Franchisee shall pay to Franchisor the sum of Forty-Six Thousand Four Hundred Fifty Dollars ($46,450.00) as the Initial Franchise Fee, which shall be payable as follows:

$34,450.00 upon execution of this Agreement, and subject to credit approval by Franchisor, the balance due and payable in twelve equal monthly payments of $1,000 each, beginning the month following the month in which Franchisee opens for business the ProSource Showroom. If Franchisee does not satisfy Franchisor's credit requirements for payment of part of the Initial Franchise Fee in installments as provided above, the entire Initial Franchise Fee shall be payable upon execution of this Agreement. In the event Franchisee is late in any payment of the balance of the Initial Franchise Fee, Franchisor reserves the right to charge interest at the rate of 18% or the maximum amount allowed by law until payment in full is received. Franchisee agrees to sign any additional documentation including but not limited to a promissory note requested by Franchisor to confirm the terms of payment. Franchisor reserves the right to offer discounts on the Initial Franchise Fee to franchisees that qualify in accordance with its guidelines from time to time for such discounts.

8.2 Continuing Royalty. During the term of this Agreement, Franchisee shall pay to Franchisor a continuing royalty of three percent (3%) of the Gross Sales ("Royalty Rate"), as defined in Section 8.3 below. The royalty shall be payable as set forth in Section 8.4 below. For purposes of this Section 8.2, Franchisee's annual Gross Sales shall be determined based upon the fiscal year of Franchisor. Notwithstanding the foregoing, beginning with the first full calendar month after the Showroom opens, Franchisee will be obligated to pay to Franchisor a minimum royalty of $2,000 per month ("Minimum Royalty"). Franchisee agrees that the Minimum Royalty shall not be construed as a projection, representation or warranty as to the sales that will or may be achieved by Franchisee.

Franchisor reserves the right to offer discounts on the Royalty Rate and/or to the Minimum Royalty to franchisees that qualify in accordance with the guidelines or policies for such discounts as may be determined by Franchisor from time to time. Thus, the Royalty Rate and Minimum Royalty paid by all franchisees may not be uniform. Examples of factors that may be considered in the determination of such discount guidelines or policies could include, but would not be limited to, the following: (i) a franchisee or a Related Party being a shareholder of CCA; (ii) a franchisee being a member in good standing of PSC; (iii) a franchisee owning more than one ProSource Franchise or owning and operating a ProSource Showroom continuously since a date certain designated by Franchisor; or (iv) such other factors as may be determined by Franchisor from time to time.

8.3 Gross Sales. With respect to the business of the Franchise, "Gross Sales" shall mean and include the total sum of: (i) all amounts invoiced or otherwise charged by Franchisee for all goods and services sold by Franchisee; and (ii) the value of all goods and merchandise received by Franchisee in trade for services or goods and merchandise sold by Franchisee but not reflected in the amounts invoiced or charged by Franchisee. Gross Sales shall be reduced by the actual amounts of all refunds made by Franchisee to ProSource members/customers for products purchased from the Franchisee's ProSource Showroom but in no event in an amount greater than the original price paid by such customer for the refunded product. Gross Sales shall include both cash and credit sales (regardless of collection), and all merchandise services, and freight, but shall not include sales or use taxes. Gross Sales shall not include member referral fees as defined in the ProSource Confidential Operations Manual.

8.4 Payment of Royalty. Royalty shall be paid as follows:

(i) Royalty on Gross Sales attributable to the sale of floorcovering products shall be payable as follows: (1) On a monthly basis on or before the fifteenth (15^{th}) day of each calendar month, Franchisee shall pay Franchisor two percent (2%) of Gross Sales attributable to the sale of floorcovering products for the preceding calendar month, and (2) so long as Franchisee is a member in good standing of PSC, on an annual basis at the end of each fiscal year of Franchisor with payment as directed in an invoice from Franchisor which will be provided after the close of Franchisor's fiscal year, Franchisee shall pay Franchisor one percent (1%) of Gross Sales

attributable to the sale of floorcovering products over the just completed fiscal year of Franchisor (the "Second Portion"). Franchisee may offset against its obligation to pay the Second Portion, or part thereof, the amount of rebate and advertising money received by PSC directly resulting from Franchisee's purchases through PSC less patronage dividends paid to Franchisee by PSC with respect to such rebate and advertising money. Any such offset will be reflected on the invoice referenced above and is limited annually to the Second Portion.

(ii) Royalty on Gross Sales attributable to the sale of non-floorcovering products shall be payable in full on a monthly basis on or before the fifteenth (15^{th}) day of each calendar month for the preceding month's Gross Sales.

(iii) Payment of the royalty shall be made by electronic funds transfer or as otherwise directed by Franchisor from time to time. The timing and manner of the payment of the royalty is subject to change from time to time as determined by Franchisor and as may be communicated to Franchisee in writing or as may be reflected in the Confidential Operations Manual.

8.5 Place and Time of Payment. Payments of royalty shall not be deemed made until actually received by Franchisor.

8.6 Late Fee for Late Sales Report and Royalty Payment or Other Payment. If Franchisee fails to remit to Franchisor a sales report when due as provided in Section 6.12 above and/or a royalty payment when due as provided in Section 8.4 above and/or any other payment required in this Agreement or any Related Agreement when due, Franchisor has the right, in addition to any other remedy available, to charge Franchisee a late fee of Fifty Dollars ($50.00) for each day such sales report and/or royalty payment and/or other payment is late, reduced, if necessary, to the extent such payment exceeds the amount permitted by applicable law. Said late fee shall be due and payable by Franchisee immediately when invoiced. In addition, interest on such late payments will accrue at the lesser of eighteen percent (18%) per annum or the highest rate permitted by law until payment in full is received. Acceptance of any late payment shall not be a waiver by Franchisor of any breach by Franchisee of any terms, provisions, covenants or conditions of this Agreement or any Related Agreement. Franchisor shall have the right to apply any payment it receives from Franchisee to any amounts Franchisee owes Franchisor or its Affiliates under this Agreement or any Related Agreement.

8.7 Other Fees. Franchisee shall remit to Franchisor the amounts required (and at the times required) for the advertising fees pursuant to Article 7, the Software fees pursuant to Article 6 and such other fees as provided in this Agreement (and any Related Agreement), all as such fees exist as of the date hereof and as such fees may change from time to time.

8.8 Automatic Transfer. Franchisor has the right to require Franchisee to pay royalties and/or any other amounts due under this Agreement by electronic funds transfer, in which case, Franchisee agrees to perform such acts, sign such documents necessary to implement such a payment program, and to make the required funds available for withdrawal on or before the designated payment dates.

9. Term of Agreement

9.1 Initial Term of Franchise. This Agreement and the Franchise granted herein shall commence on the date of execution and acceptance by Franchisor, the Commencement Date set forth on page 3 above, and expires on the Expiration Date set forth on page 3 above, subject to earlier termination as provided herein.

9.2 Successor Agreement. Franchisee may, at Franchisee's option, enter into successor agreements for two additional successive terms of ten (10) years each, subject to the following conditions:

(i) Franchisee has substantially complied with all of the terms and conditions of this Agreement and, at the time of the beginning of the successor term, is not in default of any material term or condition of this Agreement or any Related Agreement.

(ii) Franchisee's Quality Review scores have been satisfactory as determined by Franchisor.

(iii) Franchisee has notified Franchisor in writing of Franchisee's election to enter into a successor agreement not less than one hundred eighty (180) days nor more than two hundred seventy (270) days prior to the end of the initial term or first successor term of this Agreement, as the case may be, unless otherwise agreed to in writing by Franchisor.

(iv) Prior to the beginning of the successor term, Franchisee's Principal and Manager and Kitchen and Bath Designer and such other employees or staff persons as Franchisor may require must successfully complete the then current training and Franchisee must comply with all of the other then-current qualifications and training requirements for a franchisee and a franchisee's employees.

(v) Prior to the beginning of the successor term, Franchisee shall make or commit to make in a manner satisfactory to Franchisor such renovation and modification of the ProSource Showroom as Franchisor may reasonably require to reflect Franchisor's then-current standards for a ProSource Showroom.

(vi) Prior to the beginning of the successor term, Franchisee shall have furnished the ProSource Showroom with all then-required equipment, computers, computer software (including updates), furnishings, fixtures, supplies and materials as Franchisor may reasonably require to reflect Franchisor's then-current standards for a ProSource Showroom.

(vii) Prior to the beginning of the successor term, Franchisee and all Principals must execute a general release in a form prescribed by Franchisor, releasing, to the fullest extent permitted by applicable law, Franchisor and its Affiliates (and their respective officers, directors and shareholders) (hereinafter collectively referred to as the "Released Parties") from any and all Claims against the Released Parties arising under this Agreement or otherwise for the period of time prior to the commencement of the successor term and return the release to Franchisor.

(viii) Prior to the beginning of the successor term, Franchisee must execute Franchisor's then-current form of the standard Franchise Agreement for the sale of a new ProSource Wholesale franchise, which agreement shall supersede this Agreement in all respects and the terms or conditions of which may materially differ from the terms of this Agreement, including, without limitation, differences in: (i) royalty, (ii) other fees, (iii) performance standards, (iv) required product lines, and/or (v) defined territory~~.~~ (due to changes in demographics or methodology).

(ix) Prior to the beginning of the successor term, Franchisee must pay Franchisor a Franchise successor fee of Two Thousand Dollars ($2,000.00). In addition, Franchisee must reimburse Franchisor for any out of pocket expenses incurred by Franchisor in connection with Franchisee's successor term including without limitation costs incurred to verify Franchisee's compliance with the terms of this Section 9.2.

If Franchisee does not qualify to enter into a successor Franchise Agreement or elects not to do so by written notice to Franchisor, immediately after the expiration of the then current term, Franchisee must comply with the requirements of Section 15.

10. Insurance

10.1 Protection of Franchisor. Franchisee shall at all times during the term of this Agreement and any successor term, at Franchisee's sole expense, carry (i) comprehensive public liability and blanket contractual liability insurance, each with a minimum combined single limit of One Million Dollars ($1,000,000); (ii) owned and non-owned automobile liability insurance, each with a minimum combined single limit of Five Hundred Thousand Dollars ($500,000.00), (iii) extended coverage insurance in an amount equal to the market value of all signs and leasehold improvements, (iv) workers compensation insurance which complies with the workers compensation laws of the state in which the Franchise is located, (v) business interruption insurance in an amount as will reimburse Franchisee for loss of Gross Sales equal to 12 times the average monthly Gross Sales during the previous three month period immediately prior to the interruption, (vi) any other insurance which may be required by the state in which the Franchise is located, and (vii) any other insurance which may be required by Franchisor from time to time as provided in the ProSource Confidential Operations Manual or as otherwise provided to Franchisee in writing. Such insurance shall be written only by companies which have a rating of "A" or better by A.M. Best & Co. or are otherwise approved by Franchisor at its sole discretion. Franchisor shall be listed as an additional insured on all such insurance policies maintained by Franchisee, and Franchisee shall forward to Franchisor thirty (30) days prior to opening the Franchisee's ProSource Showroom certificates of coverage for all such insurance policies, and upon Franchisor's request, a copy of all such insurance policies. Each insurance policy required to be maintained by Franchisee under this Agreement shall contain a provision requiring notification to be given to Franchisor at least thirty (30) days prior to the cancellation, termination or non-renewal of such policy. At least thirty (30) days prior to the expiration of each policy of insurance, Franchisee shall deliver to Franchisor evidence satisfactory to Franchisor reflecting the renewal of such policy. Franchisee's obligation to obtain and maintain insurance does not relieve Franchisee from its defense and indemnity obligations under this Agreement. The insurance requirements, including limits, stated herein may be modified by Franchisor if deemed advisable in the sole discretion of Franchisor. Any such modifications will be specified in the ProSource Confidential Operations Manual or as otherwise provided to Franchisee.

10.2 Protection of Franchisee. Franchisee shall at all times carry adequate replacement-cost property and extended coverage insurance covering Franchisee's inventory, equipment, fixtures and furnishings against losses due to fire, vandalism, malicious mischief, theft, and other perils, including flood insurance if applicable.

10.3 Failure to Obtain Insurance. If Franchisee fails to comply with the requirements of Section 10.1 and/or 10.2, Franchisor may, at its option, obtain such insurance on behalf of Franchisee and maintain the same in full force and effect, and Franchisee shall pay Franchisor, upon demand, all premium charges therefor incurred by Franchisor together with interest at the rate of Eighteen (18%) percent or the maximum rate permitted by law, whichever is less, from the date Franchisor paid such premiums until repaid by Franchisee. Notwithstanding the foregoing, Franchisor's obtaining such insurance will in no way limit Franchisee's liability under this Agreement and Franchisor's election to obtain such insurance is not an exclusive remedy. Franchisee agrees and acknowledges that the insurance requirements specified above are minimum requirements and may not be sufficient to cover all losses that may be incurred by Franchisee. Franchisor encourages Franchisee to consult with its own advisors regarding additional insurance. Franchisor shall have no liability to Franchisee for Franchisor's failure to obtain insurance on Franchisee's behalf.

11. Marks, Goodwill, and Know-How

11.1 Franchisee's Agreement as to the Marks and Know-How: Franchisee acknowledges that the Marks and Know-How are the sole property of Franchisor and that they have substantial value. Franchisee is hereby given the license to use the Marks and Know-How in promoting and operating the Showroom provided such license to use the Marks and Know-How is hereby acknowledged to be a privilege only and said privilege is extinguished upon expiration, termination and/or sale, assignment or transfer of this Agreement. Franchisee shall not, in any way, (i) do anything to infringe upon, harm, challenge or contest the validity of Franchisor's ownership rights in or to the Marks and Know-How or any other mark or name which incorporates one of the Marks and/or Know-How or any registration therefor, (ii) use any of the Marks or Know-How other than as herein permitted, (iii) place any Mark on any products or packages or other materials unless with Franchisor's prior written consent or in accordance with this Agreement. Franchisee may not use in any manner or medium any tradename, trademark or service mark that is confusingly similar to any Mark, including for example (and without limitation), "ProSourse," "PSource," or a telephone number that, when spelled out, yields a name or mark that is confusingly similar to any Mark and is marketed by spelling it out. Franchisee may not through the use of the Marks, or otherwise, directly or indirectly state or imply that the Showroom is owned or operated by Franchisor. Franchisee may not sublicense the use of the Marks or allow any other person to use the Marks. In addition to Franchisee's obligations in Section 5.15 above, Franchisee agrees to indemnify and hold harmless Franchisor from any costs or expenses (including but not limited to attorneys' fees) incurred by Franchisor in protecting its Marks and Know-How as a result of any act or inaction of Franchisee. Franchisee shall take whatever action is necessary to protect the integrity of the Marks. Upon an event of default or termination or expiration of this Agreement, Franchisee agrees that Franchisee's interest in all signage and all other items bearing any of the Marks shall be automatically assigned to Franchisor. Franchisee agrees to execute any and all documents necessary to effect the foregoing assignment. Franchisee acknowledges that in the course of Franchisee's operation of the Franchise, Franchisee may from time to time create copyrightable works, inventions, discoveries or improvements that may be related to or useful in the business of the System. In such event, any such works, invention, discovery or improvement shall be promptly disclosed to Franchisor and shall be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation shall be due to Franchisee or its owners or employees therefor. Franchisor has the right to incorporate such items into the System and/or disclose them to other franchisees and other persons or entities. To the extent any item does not qualify as a "work made for hire" for Franchisor, Franchisee shall assign, and by this Agreement, does assign, ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. As Franchisor may request, Franchisee shall take all actions to assist Franchisor's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

11.2 Use of the Marks. Franchisee shall not add any name, prefix, suffix, mark, logo, insignia or the like to the Marks or make any variations in the use of the Marks, or use any trademarks, service marks or tradenames other than a Mark, unless first approved in writing by Franchisor, which approval may be withheld in the sole discretion of Franchisor. Franchisee further agrees to use the Marks only in logo form when so specified by Franchisor. Franchisee shall use the Marks only in the form and manner approved by Franchisor and any misuse of the Marks by Franchisee shall constitute infringement.

11.3 Discontinuance of Use of Marks. If Franchisor determines that the ProSource System should modify or discontinue using any Mark and/or that the ProSource System should use additional or

substitute Marks, Franchisee agrees to comply with Franchisor's directions within sixty (60) days after Franchisee receives Franchisor's notice.

11.4 No Use of Marks in Name. Franchisee shall not use, or permit the use of, any of the Marks in the name of any limited liability company, corporation, partnership or other organization.

11.5 Goodwill. Franchisee acknowledges that Franchisee's use of the Marks or of any approved name, mark, logo, insignia or the like incorporating the Marks inures to the sole benefit of Franchisor, and that any goodwill arising from such use by Franchisee remains, at all times, the sole property of Franchisor and that Franchisor at all times remains the owner of the Marks and all goodwill associated therewith. Franchisee will not be compensated for any goodwill attributable to its use of the Marks upon termination, expiration or transfer of this Agreement.

11.6 Infringement. Franchisee acknowledges that Franchisor may register one or more of the Marks in the United States Patent and Trademark Office. Franchisor retains the sole and discretionary right to assert claims of infringement of the Marks and any such registrations against any person or entity who uses the Marks without permission, license or authority from Franchisor. Franchisee agrees to notify Franchisor immediately of any infringement or improper or unauthorized use of the Marks of which Franchisee becomes aware. Franchisor makes no warranty that there are no other persons with superior rights with respect to the Marks in certain areas.

11.7 Defense. Franchisor shall defend and hold Franchisee harmless from and against any and all claims of trademark, service mark or tradename infringement for use of the Marks other than those arising by reason of the act or inaction of Franchisee, provided that Franchisee promptly gives written notice to Franchisor of any such claim or suit and upon request, cooperates and assists Franchisor in such defense. Franchisor shall have the sole and complete control and direction of any such legal action, including the settlement thereof, without providing any notice to Franchisee. Provided Franchisee complies with this Agreement and uses the Marks only in compliance with this Agreement, Franchisor shall bear all costs of defense of any such claim or suit. If Franchisee misuses the Marks, Franchisee shall indemnify and hold Franchisor harmless from and against the cost, including attorneys' fees, incurred by Franchisor in defending any claims of such infringement.

12. Assignment and Transfer

12.1 Limited Rights of Assignment and Right of First Refusal.

A. The Franchise herein granted to Franchisee is personal to Franchisee and is based upon the business skill, business background, including experience in the floorcovering and/or kitchen and bath industry, and financial capacity of Franchisee (including the personal guarantees of shareholders of a corporate Franchisee, partners of a partnership Franchisee, members or beneficiaries of any other business entity which is a Franchisee, or any corporation owned by a Franchisee if Franchisee is an individual). Accordingly, except pursuant to the following provisions of this Section 12.1, neither the Franchise nor any part of Franchisee's ownership interest, nor all or a substantial part of the assets of Franchisee may be voluntarily, involuntarily, directly or indirectly transferred, sold, given away, assigned, pledged, hypothecated, divided or encumbered in any way, by Franchisee or Franchisee's owners without Franchisor's prior written approval (which may be provided or withheld in Franchisor's sole discretion), and any such transfer without such approval shall constitute a breach of this Agreement and therefore will convey no rights to or interests in this Agreement, the Franchise, or the Franchisee or the assets attempted to be transferred. Any attempt to do so shall at the option of Franchisor effect the termination of this Agreement. Franchisor's election to terminate this Agreement is not an election of remedies and

Franchisor shall in any event be permitted to seek and receive any and all damages arising from Franchisee's breach of this Agreement.

B. As used in this Agreement, the term "ownership interest" means; (a) shares in any corporation, or partnership interest in any partnership, or membership units in any limited liability company, or other interest in some other entity that holds the Franchise; (b) direct or indirect community property rights of any person in this Agreement, or the Franchise; and (c) any other equitable or legal right in the revenues, profits, rights or assets of the Franchise. As used in this Agreement, the term "transfer" includes any voluntary, involuntary, direct or indirect assignment, sale, gift, or exchange or the occurrence of any other event possibly creating an ownership interest or changing the ownership of any ownership interest, including, without limitation: (1) assignment or other transfer of this Agreement; (2) merger or consolidation or issuance of additional securities representing an ownership interest; (3) sale, gift or other transfer of stock, partnership or other interest; (4) transfer of an interest in this Agreement, the Franchise, or the Franchisee in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; and (5) transfer of an ownership interest by will, declaration of or transfer in trust, or under the laws of intestate succession.

C. If Franchisee proposes to make a transfer of this Agreement, the Franchise or Franchisee's ownership interest or all or a substantial part of the assets of Franchisee, then all of the following conditions must be met before or at the time of each such transfer. ("Transferee" is defined as the person, persons, partnership, corporation or other entity wishing to acquire the Franchise, ownership interest or assets as the case may be).

(1) Transferee or the owner of the ownership interest in the Transferee if the Transferee is a corporation or partnership or other entity must be of good moral character and reputation, have sufficient business experience, aptitude and financial resources to operate the Franchise, and otherwise meet Franchisor's then applicable strategic, tactical, financial and operational qualifications for franchisees.

(2) If such assignment is to an existing ProSource franchisee, such franchisee is in full compliance with its franchise agreement(s).

(3) Neither Transferee nor the owners of Transferee is currently involved in any material litigation, dispute or legal proceeding which could (a) adversely affect the Transferee's ability to conduct its business, (b) adversely affect the Transferee's reputation, or (c) adversely affect the ProSource System.

(4) Franchisee and/or Transferee must provide, in a timely fashion, any and all documentation related to Transferee as requested by Franchisor.

(5) Transferee must assume all of Franchisee's obligations in connection with the operation of the Franchise including the lease for the Showroom.

(6) If the lease for the Showroom so requires, the lessor must have consented to the assignment or sublease of the Showroom to the Transferee.

(7) Franchisee must pay any unpaid royalty and service fees, advertising contributions, and any other amounts owed to Franchisor and Franchisor's Affiliates.

(8) The condition and operations of the Franchise must be in compliance with this Agreement and all applicable specifications, standards, operating procedures and policies Franchisor has prescribed.

(9) Franchisee or Transferee must agree to make such renovation and modification of the ProSource Showroom as Franchisor may reasonably require to reflect Franchisor's then-current standards for a ProSource Showroom.

(10) Franchisee or Transferee must agree to furnish the ProSource Showroom with all then-required equipment, software, computers, furnishings, fixtures, supplies and materials as Franchisor may reasonably require to reflect Franchisor's then-current standards for a ProSource Showroom.

(11) The Transferee must sign Franchisor's then current form of franchise agreement (including all exhibits, as required) for a term equal to the normal initial term of the then current form of franchise agreement, and which agreement shall supersede this Agreement in all respects and the terms or conditions of which may materially differ from the terms of this Agreement, including, without limitation, differences in: (i) royalty, (ii) other fees, (iii) performance standards, (iv) required product lines, and/or (v) the definition of Area (which may be redefined by Franchisor based on changes in demographics or changes in Franchisor's defining criteria).

(12) Franchisee or the Transferee must pay to Franchisor ~~a~~the then current transfer fee, which as of the date hereof is as follows: (a) if the Transferee is an existing ProSource franchisee the transfer fee is Ten Thousand Dollars ($10,000.00) or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the application for transfer, including without limitation, legal and accounting fees; and (b) if the Transferee is not an existing ProSource franchisee the transfer fee is Forty Six Thousand Four Hundred Fifty Dollars ($46,450.00) or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the application for transfer, including without limitation, legal and accounting fees~~.~~ ($34,450 must be paid before or at the time of transfer and the balance in twelve $1,000 payments starting the month after the transfer).

(13) The Transferee must attend and complete, within six months of acquisition, the initial training at a location to be determined by Franchisor. Transferee is responsible for all transportation, lodging and other expenses related to this Initial Training program.

(14) Franchisee, and the Principals, and each person who is transferring an ownership interest must each sign a general release (in a form satisfactory to Franchisor) of any and all claims against Franchisor, Franchisor's Affiliates, and their respective shareholders, directors, employees, attorneys, agents, successors and assigns.

(15) Franchisor must approve the material terms and conditions of such transfer, including, that the price and terms of payment are not so burdensome as to adversely affect the ProSource System or the operation of the Franchise by the Transferee.

(16) Franchisee must agree that all obligations of the Transferee under or pursuant to any promissory notes, agreements or security interests reserved by Franchisee or its

owners in the assets of the Franchise will be subordinate to the obligations of the Transferee to pay royalty and service fees, advertising contributions and other amounts due to Franchisor and otherwise to comply with this Agreement or the franchise agreement executed by the Transferee.

(17) Franchisee and the Principals, if Franchisee is transferring this Agreement, and each person who is transferring an ownership interest, will either confirm in writing the acknowledgment of the post termination covenants contained in Section 16 of this Agreement as it applies to them or must execute an agreement in form acceptable to Franchisor incorporating the post termination covenants set forth in Article 16 of this Agreement.

(18) Franchisee has provided Franchisor with an opportunity to exercise Franchisor's right of first refusal as required in Section 12.1E of this Agreement and Franchisor has declined to exercise that right.

(19) The transfer is not to (i) a manufacturer, supplier or distributor of floorcovering products and/or Cabinets, or (ii) a Competitor. For purposes of this subparagraph 19, "Competitor" means any business, individual, partnership, joint venture, firm, corporation or other entity engaged, wholly or partly, in the sale or distribution of products or services that are the same as, or similar to, or competitive with, the products or services sold or distributed by a ProSource Showroom.

(20) Franchisee has agreed to guarantee the full performance of Transferee's obligations of the new franchise agreement, if required by Franchisor.

D. Any such transfer by Franchisee under this Section 12.1 shall be considered a "termination" by such Franchisee for purposes of Franchisee's covenants of non-disclosure, not to compete, and non-solicitation. Franchisee acknowledges that Franchisor has legitimate reasons to evaluate the qualifications of potential Transferees and to analyze and review the terms of their purchase contract with Franchisee. Franchisee further acknowledges that Franchisor's contact with potential Transferees for the purpose of protecting its business interests will not constitute improper or unlawful conduct. Franchisee expressly authorizes Franchisor to investigate any potential Transferee's qualifications, to analyze and review the proposed terms with the Transferee, and to withhold consent of the terms and conditions of any such transfer. Franchisee agrees that the conditions in Section 12.1 C (including without limitation the transfer fee) are reasonable and necessary for purposes of making sure the transfer is done in compliance with this Agreement as well as to ensure the Transferee satisfies the then current criteria for a new ProSource franchisee. Franchisee waives any claim that any action or actions taken or not taken by Franchisor in relation to a proposed transfer to protect its business interests constitutes tortious interference with contractual or business relationships.

E. If Franchisee or any of Franchisee's owners receives a fully-signed written, bona fide offer (or receives acceptance of a fully-signed written, bona fide offer that Franchisee or Franchisee's owners made) to acquire an interest in the Franchise Agreement, the Franchise or all or a substantial part of Franchisee's assets or the assets used in the Franchise, or an ownership interest in the Franchise, then Franchisee must notify Franchisor by providing Franchisor with an exact copy of the offer. Franchisor may request and Franchisee shall provide, additional information relevant to the offer for Franchisor to evaluate its right of first refusal. Franchisor will have the right within thirty (30) days after receiving Franchisee's written notice to exercise Franchisor's right to purchase the interest proposed to be transferred for the price and on the terms and conditions contained in the offer. If the bona fide offer

contains non-cash consideration, Franchisor may accept such offer by paying the cash equivalent to such non-cash consideration as determined by an independent valuation expert selected by Franchisor. Franchisor shall have at least sixty (60) days from receipt of notice of the offer to complete the transfer, or Franchisor shall have the period provided in the offer, whichever is longer. Franchisor will be entitled to acquire such interest in the Franchise or its assets or in Franchisee, subject to receiving all representations and warranties as to the ownership, condition or title of or to the stock and/or assets, as to the absence of any liabilities, liens or encumbrances, or pending litigation, and as to the validity of any contracts or leases, which are reasonable for transactions of this type. If Franchisor does not exercise its right of first refusal, Franchisee or Franchisee's owners may complete the sale to the same purchaser pursuant to and on the same terms of such offer, subject to Franchisor's approval of the transfer as (and satisfaction of all conditions) provided in Section 12.1C of this Agreement. If the sale to the purchaser is not completed within one hundred ~~twenty (120~~thirty-five (135) days after delivery of notice of the offer to Franchisor or if there is a material change in the terms of the sale, Franchisor will have an additional right of first refusal for thirty (30) days to accept the changed offer on the same procedures as were applicable to the initial right of first refusal.

F. In the event of death or incapacity of Franchisee (if Franchisee is a partnership, corporation or other business entity, the death or incapacity of a Principal of Franchisee) the executor, administrator or personal representatives of such person shall have six (6) months from date of death or judgment of incapacity to sell and transfer the Franchise to another person under the conditions as set forth in Section 12.1C above. Provided, however, that if Franchisee's legal or personal representatives have not sold the Franchise within such six month period as provided above, Franchisor, at its option, may terminate this Agreement upon written notice to Franchisee, with no further right to cure.

G. Franchisor will not unreasonably withhold Franchisor's approval of an assignment or transfer which satisfies all conditions of this Section 12.1.

12.2 Change of Ownership. If, during the term of this Agreement, there is a proposed change in the ownership interest of Franchisee which when aggregated with all other changes during the term of this Agreement or any successor agreement is a change of greater than five percent (5%) of the voting power of any and all classes of ownership interest of Franchisee, such attempted change in ownership interest shall be considered for purposes of this Agreement as an assignment, transfer or sale of the Franchise and shall be subject to Section 12.1 above. If, during the term of this Agreement or any successor thereof, there is a change in ownership interest of Franchisee, Franchisee shall notify Franchisor immediately of such change. Franchisee is obligated to notify Franchisor of any and all transfers of an ownership interest in Franchisee or changes in ownership of Franchisee. Further, Franchisee shall provide written notice to Franchisor if any divorce proceeding has been filed by or against any Principal.

12.3 Evidence of Restrictions. All stock certificates of any corporation or other evidence of ownership in a partnership or business entity which owns a Franchise shall make reference to the restrictions found in this Article 12 so as to render same a binding restriction on transferability in accordance with the laws of the state in which such corporation, partnership or business entity is formed. Such reference to such restrictions shall be in form and manner approved by Franchisor.

12.4 No Assignment of Management. Franchisee shall not assign or attempt to assign a right to manage the Franchise without the prior written consent of Franchisor, which may be withheld at its discretion.

12.5 Assignment by Franchisor. Franchisor may assign all of its right, title and interest in and to the Franchise Agreement without the consent of Franchisee and without restriction provided that any

successors and assigns of Franchisor shall agree in writing to assume all of Franchisor's obligations thereunder. Such assignment shall discharge Franchisor from any further obligations under the Franchise Agreement.

13. Termination by Franchisor

13.1 Right of Termination for Defaults, With Right to Cure. Upon the occurrence of any event of default described in Section 13.2 herein, Franchisor shall give written notice to Franchisee stating (i) the event of default, (ii) whether or not the default may be cured, and (iii) what cure is acceptable. The notice to be given to Franchisee (the "Notice Period") shall not, in any event, be less than the minimum number of days specified by applicable law.

13.2 Franchisee's Defaults Resulting in Termination For Failure to Cure With Notice. Each of the following defaults by Franchisee shall constitute an event of default:

(i) Failure by Franchisee to timely pay any sums due, or report Gross Sales, or submit any financial report or information, to Franchisor pursuant to the terms of this Agreement or any other obligation of Franchisee to Franchisor (other than those obligations or occurrences set forth in Section 13.4 below).

(ii) Failure by Franchisee to comply with any of Franchisee's obligations under this Agreement and all exhibits hereto, other than those set forth in Section 13.4.

(iii) Franchisee's sale of products and/or services not approved by Franchisor.

(iv) Failure by Franchisee to open for business a ProSource Showroom in accordance with the development schedule set forth in Article 3 above.

If Franchisee fails to cure any default with respect to monetary defaults described in this Section 13.2 (including, without limitation, default described in Section 5.11) within ten (10) days of the notice being given pursuant to Section 13.1 above (or such longer period of time required by applicable law) or fails to cure in full any defaults with respect to non-monetary defaults described in this Section 13.2 within thirty (30) days after notice being given (or such longer period of time required by applicable law), this Agreement shall automatically terminate on written notice by Franchisor.

13.3 Right of Termination for Defaults With No Right to Cure. This Agreement shall terminate upon written notice with no right to cure upon the occurrence of any event of default set forth in Section 13.4 below.

13.4 Franchisee's Defaults Resulting in Termination Without Right to Cure. Each of the following defaults by Franchisee shall constitute an event of default for which this Agreement shall automatically terminate at Franchisor's election on written notice to Franchisee:

(i) The termination of the lease or sublease for the premises in which the ProSource Showroom is located, regardless of whether such termination is due to the breach of Franchisee or lessor of the lease or sublease or due to expiration and non-renewal of the lease or sublease or for any other reason, provided that Franchisee has not obtained the prior approval of Franchisor to relocate the Franchise to another location. For purposes of clarification, if a lease expires and Franchisee maintains possession as a holdover

tenant, such expiration and holdover tenancy shall be considered a default of this Agreement under this Section.

(ii) Failure by Franchisee to keep the ProSource Showroom open for business during prescribed business hours for a continuous period of three (3) days or more without the prior written consent of Franchisor, unless said ProSource Showroom was closed by reason of governmental action not related to a breach by Franchisee of this Agreement, or other event of force majeure.

(iii) Franchisee becoming insolvent, which, for purposes of this Agreement, includes, but is not limited to, (a) Franchisee's inability, or failure, to timely meet its financial obligations to its members, their customers, taxing authorities, its employees, its suppliers, or its other creditors as they come due, and also includes Franchisee's inability to timely meet its obligations to fulfill member and customer orders on which deposits have been paid to Franchisee; or (b) Franchisee's financial condition such that the sum of its debts is greater than the sum of its assets.

(iv) If Franchisee shall be adjudicated a bankrupt, or a voluntary or involuntary petition in bankruptcy or any other arrangement under the bankruptcy laws shall be filed by or against Franchisee; or if Franchisee shall make an assignment for the benefit of creditors; of if a receiver or trustee in bankruptcy or similar officer, temporary or permanent, is appointed to take charge of Franchisee's affairs or any of Franchisee's property; or if dissolution be commenced by or against Franchisee; or if any judgment against Franchisee remains unsatisfied and unbonded of record for sixty (60) days.

(v) If Franchisee shall assign or attempt to assign or transfer the Franchise and/or this Agreement and/or all or substantially all of the assets of Franchisee and/or an ownership interest in Franchisee triggering Section 12.2 to another, without the prior written consent of Franchisor, or if an assignment of this Agreement shall occur by operation of law, or by reason of judicial process.

(vi) If Franchisee shall assign, attempt to assign, transfer or convey the Marks or goodwill attached thereto, or if Franchisee shall use, or permit the use of, the Marks or the goodwill attached thereto in a manner not permitted under this Agreement, or if Franchisee shall use or permit the use of the Marks or the goodwill attached thereto, in a manner or at a location not authorized by Franchisor under this Agreement, or if Franchisee shall disclose the Confidential Information in a manner not permitted under this Agreement.

(vii) Franchisee submits on two or more occasions at any time during the term of this Agreement, a report, financial statement, tax return or other information which understates Franchisee's Gross Sales for any period by more than two percent (2%).

(viii) Franchisee submits on any one occasion at any time during the term of this Agreement, a report, financial statement, tax return or other information which understates Franchisee's Gross Sales for any period by more than five percent (5%).

(ix) Franchisee's operation of the Franchise causes a threat or danger to the public health or safety.

(x) Failure of Franchisee or any Principal to comply with the covenants set forth in Article 16 on confidentiality and non-compete.

(xi) Franchisee, or any Principal, knowingly provided false information on any application or made any false statements in any interview relating to Franchisee's application for a franchise.

(xii) Franchisee knowingly maintains false books and/or submits false reports or statements to Franchisor.

(xiii) Franchisee fails to procure and maintain insurance in compliance with this Agreement.

(xiv) Franchisee, or a Principal, is convicted of (or pleads no contest to) a felony, a crime involving fraud or moral turpitude or any other crime that Franchisor believes is reasonably likely to have an adverse effect on the ProSource System, the Marks, or Franchisor's interests.

(xv) Franchisee receives two or more notices of the same default or three or more notices of any default under this Agreement during any 12 consecutive month periods regardless of whether or not such defaults are subsequently cured and whether or not they relate to the same default.

(xvi) Franchisee, or any Principal, engages in any misconduct which affects Franchisor's reputation or the goodwill associated with the Marks causing Franchisor to suffer loss or damage.

(xvii) Franchisee, or any Principal, intentionally makes any unauthorized use of the Marks or disclosure of any Confidential Information, or if unintentionally, causes Franchisor to suffer loss or damage.

13.5 Cross Defaults. Subject to applicable state and/or federal franchise laws, each of the following defaults that are not cured within the applicable cure period, if any, shall, in addition to constituting a default under this Agreement, also constitute a default under each and every other ProSource Franchise Agreement to which Franchisee or a Related Party is bound (herein an "Affiliated Franchise Agreement"), and shall entitle Franchisor to exercise in its discretion any or all of its remedies in the event of any such default(s) under this Agreement and/or under any or all other Affiliated Franchise Agreements:

(i) The default specified in Section 13.2(i).

(ii) The default specified in Section 13.4(ii).

(iii) The default specified in Section 13.4(v).

(iv) The default specified in Section 13.4(vi).

(v) The default specified in Section 13.4(ix).

(vi) The default specified in Section 13.4(x).

(vii) The default specified in Section 13.4(xi).

(viii) The default specified in Section 13.4(xii).

(ix) The default specified in Section 13.4(xiv).

(x) The default specified in Section 13.4(xvi).

(xi) The default specified in Section 13.4(xvii).

(xii) Franchisee sells any product or service which is prohibited under this Agreement.

(xiii) If 10% or more Related Party franchisees make the same default within a period of 12 months after written notice of the first such default.

(xiv) Franchisee, or any Principal or any Related Party, is in default of any agreement between Franchisee, any Principal and/or any Related Party as the case may be on the one hand, and Franchisor, CCA, any Affiliate of Franchisor or CCA and/or any entity managed by Franchisor, CCA, or any Affiliate of Franchisor or CCA, on the other hand.

Any of the above defaults will constitute a default under each and every Affiliated Franchise Agreement. In exercising its remedies for a default specified in this Section 13.5, Franchisor may exercise its remedies under this Agreement, all Affiliated Franchise Agreements or only a single Affiliated Franchise Agreement in its sole discretion. Failure of Franchisor to exercise its remedies against a franchisee under this provision shall in no way act as a waiver for future defaults or that Franchisor may not assert its remedies at some future time for the same defaults.

14. Termination by Franchisee

14.1 Termination by Franchisee. The Franchisee is not, by any express or implied provision of the Agreement, given any rights to terminate the Agreement prior to the expiration of the term, or any successor period (if Franchisee exercised its option for a successor term). The Franchisee's rights with respect to terminating this Agreement and the Franchise, if any, are governed solely by applicable law.

15. Rights and Obligations Upon Termination

15.1 Rights and Obligations of Franchisee Upon Termination. Upon expiration or termination of this Agreement:

(i) Franchisee will immediately pay Franchisor and its Affiliates all sums or amounts due to Franchisor and any such Affiliate through the date of termination;

(ii) Franchisee will immediately pay any sums or amounts due to business accounts of Franchisee guaranteed by Franchisor, if any;

(iii) Franchisee will immediately cease to represent Franchisee as a franchisee of Franchisor and discontinue the use of (i) the Marks (and in doing so, may not use any name that is confusingly similar to a Mark), (ii) the Know-How, (iii) the Confidential Information, (iv) all Proprietary Materials and any advertising or marketing materials

provided by, or designed by, Franchisor or Franchisor approved vendors; (v) any trade dress associated with a ProSource Showroom, including, without limitation, colors utilized as part of said trade dress associated with a ProSource Showroom; or (vi) any colorable imitation of any of the foregoing.

(iv) At Franchisor's option, Franchisee shall assign to Franchisor the business telephone number for the ProSource Showroom and Franchisee agrees to execute at any time any documents which may be necessary or desirable to effect the transfer. Franchisee appoints Franchisor as Franchisee's agent to effect such transfer with the telephone company. Franchisee is liable for all telephone charges incurred prior to any such transfer and agrees to hold the telephone company harmless from any and all liability or claims arising out of a transfer of the telephone number pursuant to this subsection. Franchisor is liable for all telephone charges incurred subsequent to any such transfer;

(v) At Franchisor's option, upon demand, Franchisee shall deliver up and surrender possession of the ProSource Showroom and the premises to Franchisor;

(vi) Franchisee shall promptly return to Franchisor at Franchisor's corporate headquarters or at the ProSource Showroom, if acceptable to Franchisor, all Proprietary Materials (as referenced in Section 5.23), all Confidential Information, including copies comprising, referring to or reflecting the Confidential Information and including without limitation the Confidential Operations Manual, all advertising or marketing materials provided by, or designed by, Franchisor or Franchisor approved vendors, and Franchisor's manuals, members lists, customer lists, prospect lists, and any documents or data (including electronically stored data) necessary to create a list of the names and addresses and requirements of the members or customers or prospects for the Franchisee's ProSource Showroom, without retaining copies of the foregoing;

(vii) All of Franchisee's right, title and interest in all signage and other items bearing the Marks immediately transfer to the Franchisor and Franchisee shall promptly destroy, or at the option of Franchisor, deliver to Franchisor, all stationery, printed matter, signs and advertising materials, and all other items containing any of the Marks;

(viii) Franchisee shall refrain from holding itself out as a former franchisee.

(ix) Franchisee shall immediately cancel any assumed name registration containing any of the Marks; and

(x) Franchisee shall comply with the obligations set forth in Article 16.

15.2 Franchisor's Remedies Upon Termination:

(i) In addition to any other rights and remedies, Franchisor may notify each supplier or vendor for ProSource that Franchisee is no longer authorized to purchase any product bearing the Marks and that sales of any such merchandise must be discontinued immediately.

(ii) In addition to any other rights and remedies, Franchisor may recover all amounts owed to Franchisor in connection with this Agreement including damages, and all trade

obligations due Franchisor, plus interest and any late fees. If any such obligation is referred to an attorney for collection or is collected in whole or in part through a judicial proceeding, Franchisee agrees to pay Franchisor's attorneys' fees and costs of collection.

(iii) In addition to any other rights and remedies, Franchisor may immediately remove information on Franchisee from the ProSource website, cancel Franchisee's access to products, programs and services and deny Franchisee further access to communication via the intranet or otherwise.

(iv) Franchisee acknowledges that Franchisor shall have no adequate remedy in law to fully protect Franchisor's Marks, Know-How, Confidential Information and/or Proprietary Materials upon termination and therefore expressly agrees that, in addition to any other rights and remedies, Franchisor may obtain a restraining order and/or injunctive relief, without bond, against Franchisee and/or any Principal for any actual or threatened unauthorized use of any Marks, Know-How, Confidential Information or Proprietary Materials.

(v) In addition to any other rights and remedies, if Franchisee does not comply with its obligations set forth in Section 15.1 above within seven days after the Franchise's termination or expiration, Franchisor may, in its discretion, at Franchisee's expense, enter Franchisee's premises and effect Franchisee's compliance with all of Section 15.1 and Franchisor will have no liability to Franchisee, in trespass or otherwise, on account of or arising from any action it authorizes or takes to effect Franchisee's compliance.

16. Restrictions on Franchisee

16.1 Covenants Not to Compete. In consideration of the grant of the Franchise from Franchisor to Franchisee herein, including the right to use Confidential Information, the Know-How and other technical and business information provided by Franchisor or resulting from the operation of the Franchise, Franchisee agrees that, during the term of this Agreement, and any successor thereof and for twelve (12) months after the expiration or termination of this Agreement, and any successor thereof, regardless of the reason for any such termination, Franchisee shall not without the prior written consent of Franchisor:

A. Engage in, directly or indirectly, by virtue of being an employee, proprietor, partner, director, officer, stockholder, agent, or through family relationships, or by financing or investing in same, or by consulting, advising or assisting, or be associated with, or supplier to, a floorcovering business, a Kitchen & Bath Product business, or other business offering goods and services similar to those offered by Franchisee under this Agreement, within a twenty five (25) mile radius of the location of any (i) then existing Showroom (including the Showroom the subject of this Agreement) or (ii) any Showroom which had been in operation within twelve (12) months prior to the expiration or termination of this Agreement, unless such association is approved by Franchisor in writing, which approval may be unreasonably withheld. Notwithstanding the foregoing, in the event a court of competent jurisdiction determines that the radius described in the preceding sentence must be defined as of the date of the Franchise Agreement to be enforceable, such radius for purposes of such jurisdiction only shall be defined as "within a twenty five (25) mile radius of the locations of all existing Showrooms as of the date of this Agreement." Notwithstanding the foregoing, nothing contained herein shall prevent Franchisee from operating or owning any business, other than a floorcovering business or Kitchen & Bath Product business, which Franchisee owned prior to acquiring the Franchise and to which

Franchisee maintained continuous, active ownership and operation thereof ("Prior Business"), provided Franchisee shall not be entitled to sell goods or services offered through the ProSource Showroom or utilize any of the Confidential Information and/or Know-How from or in connection with Franchisee's Prior Business except to the extent that such goods or services were offered for sale or used by Franchisee in Franchisee's Prior Business at least one (1) year prior to the date of this Franchise Agreement.

B. Become publicly associated with another franchise system, buying group or cooperative engaged in the floorcovering business or Kitchen & Bath Product business without the prior written consent of Franchisor. Notwithstanding the foregoing, the restriction set forth in this Section 16.1B shall apply only during the term of the Franchise Agreement.

C. Become publicly associated with a supplier or distributor of floorcovering products or Kitchen & Bath Products other than on an arms-length basis as a purchaser of floorcovering products or Kitchen & Bath Products for resale. Notwithstanding the foregoing, the restriction set forth in this Section 16.1C shall apply only during the term of the Franchise Agreement.

D. Become controlled by any manufacturer of floorcovering products or Kitchen & Bath Products. Notwithstanding the foregoing, the restriction set forth in this Section 16.1D shall apply only during the term of the Franchise Agreement.

E. Divert any business or customers of a ProSource Franchise Showroom to a competitor of a ProSource Franchise Showroom or to a business owned or operated by Franchisee or a Related Party of Franchisee or a Principal of Franchisee.

F. Perform any act or fail to take any action that would be injurious to the goodwill and reputation of the ProSource System or the Marks.

G. Solicit the business of or make contact with any other ProSource franchisee or the customers/members of the ProSource Showroom franchised hereunder or any other ProSource franchisee with respect to the sale of any floorcovering or Kitchen & Bath Products or other goods sold by the ProSource Showroom during the last twelve (12) months immediately preceding the termination/expiration of the Agreement.

Because of the irreparable injury which will result from a breach of this Section 16.1, Franchisee understands, and agrees that in addition to any damages or reimbursement to which Franchisor may be entitled, Franchisor may obtain the issuance of a preliminary, temporary and/or permanent injunction by a court of competent jurisdiction to enforce the terms and intended benefits of the aforesaid covenants, and Franchisee hereby waives any requirement that Franchisor post any bond in connection with any such restraining order or injunction.

16.2 Confidentiality. In consideration of the grant of the Franchise from Franchisor to Franchisee, including the right to use the Know-How and other technical and business information (as defined below) provided by Franchisor or resulting from the operation of the Franchise under the Franchise Agreement, Franchisee agrees that, except in the course of operating the Franchise consistent with the terms of this Franchise Agreement, Franchisee shall not at any time, during or after the term of this Agreement disclose or use any Confidential Information, including but not limited to the information contained in Franchisor's ProSource Confidential Operations Manual, the Know-How or other technical or business information provided by Franchisor or learned by Franchisee as a result of or in connection

with the operation of the Franchise, or to make, or allow others to make, copies of Franchisor's ProSource Confidential Operations Manual or any documents incorporating the Know-How or other technical or business information provided or resulting from operation under this Agreement. Without limiting the foregoing, Franchisee agrees that Franchisee may not use any customer/member lists or prospect lists or leads for any business other than the operation of the Franchise. Franchisee shall take all necessary steps to ensure that confidentiality of all Confidential Information is maintained~~.~~ and shall cooperate with Franchisor as requested in its determination of same. The "other technical or business information" referenced in this section 16.2 means and includes, but is not limited to, pricing methodology and structures, advertising formats, sales promotion formats, accounting systems, business methods and procedures, equipment or product studies and evaluations, and maintenance and systems of operation. Because of the irreparable injury which will be caused by breach of this Section 16.2, Franchisee understands and agrees that in addition to any damages or reimbursement to which Franchisor may be entitled, Franchisor may obtain the issuance of a preliminary, temporary and/or permanent injunction by a court of competent jurisdiction to enforce the terms and intended benefits of the aforesaid covenants, and Franchisee hereby waives any requirement that Franchisor post any bond in connection with any such restraining order or injunction. If Franchisee violates this Section 16.2 or Section 16.1 above in any manner, Franchisee shall owe Franchisor for all damages suffered or incurred by Franchisor, and all costs and expenses, including attorneys' fees related thereto.

16.3 Terms of Covenants Extended. In the event Franchisee does not fully comply with the covenants against competition or confidentiality provided in this Article 16, then the time period during which such covenants remain binding obligations on Franchisee shall be extended one day for each day Franchisee does not comply therewith. Franchisor shall have the right to unilaterally reduce the scope of any of the foregoing restrictions upon notice to Franchisee. Franchisee agrees and acknowledges that the restrictions set forth in this Article 16 are reasonable and necessary to protect Franchisor's goodwill and protectable interests. Franchisee further agrees that the restrictions set forth in this Article 16 shall apply regardless of any default or alleged default by Franchisor of any term of this Agreement.

16.4 Severability and Modification. If any of the restrictions created by Sections 16.1 or 16.2 would be determined, as of the date of enforcement, to be unlawful or unreasonable by a court of competent jurisdiction by virtue of the time or geographic scope, then and in such event, the covenants hereinabove which purport to restrict Franchisee's activities are hereby amended to provide that such restrictions shall apply for the maximum time and geographic scope permitted by the law of said state as determined by a court of competent jurisdiction. The parties hereto expressly permit a court of competent jurisdiction to modify a restriction for the purpose of making it enforceable. Any such modification of the restriction by a court of competent jurisdiction shall apply only in the jurisdiction in which such modification occurs and shall not affect the validity or enforceability of such restrictions in any other jurisdiction.

16.5 Waiver. Failure of Franchisor to enforce any of the provisions of this Section 16 shall not constitute a waiver of rights or a waiver of any subsequent breach or enforcement of the provisions of this Section 16.

17. Definitions

The following capitalized terms set forth in this Agreement shall have the meanings set forth below:

17.1 "Area" shall mean the area described and delineated on Exhibit I attached hereto and incorporated herein.

17.2 "Affiliate" shall mean any and all persons or entities (i) directly or indirectly controlled by Franchisor; (ii) directly or indirectly controlling Franchisor; and/or (iii) sharing common control with Franchisor.

17.3 "Cabinets" or "Kitchen & Bath Products" or "K&B Products" shall include kitchen cabinets, bathroom cabinets, vanities, countertops, faucets, sinks, backsplashes and related products and accessories.

17.4 "Claims" shall mean any and all claims, demands, losses, damages, judgments, orders, decrees, actions, lawsuits, proceedings, costs, liabilities and expenses (including, but not limited to, reasonable attorneys' fees and costs of suit) of whatever kind or character.

17.5 "Confidential Information" shall include, but shall not be limited to, the ProSource Confidential Operations Manual, all information contained therein, and any and all member/customer lists, prospect lists, approved supplier lists, purchase information, Software, Know-How and any other information not readily available to the public and disclosed to Franchisee, or to which Franchisee has access, as a result of the operation of the Franchise under this Agreement. Confidential Information includes any and all information, knowledge, trade secrets, techniques and materials used in or related to the System, the terms of this Agreement or any ancillary agreement, financial and marketing information, any information in connection with any supplier to the System, and any other non-public information relating to the System. Confidential Information shall constitute the trade secrets of Franchisor.

17.6 "Forms" shall mean report forms and financial record keeping forms developed by or for Franchisor for use by its franchisees.

17.7 "Goodwill" means the goodwill associated with any Mark and the ProSource System.

17.8 "Kitchen and Bath Designer" means the person employed by Franchisee that meets the minimum requirements set by Franchisor and charged with designing kitchen and bath projects for the Showroom's customers.

17.9 "Know-How" means the technical knowledge and experience of Franchisor regarding the methods of development of the System and of establishing and operating a Showroom which Franchisee receives, directly or indirectly, at any time or from time to time from Franchisor or its Affiliates or which originates from Franchisor or its Affiliates or which Franchisee develops during Franchisee's operation of the Franchise.

17.10 "Laws" means any lawfully promulgated or enacted Federal, Provincial, State and local laws, regulations, rules, and ordinances.

17.11 "Manager" means the person employed by Franchisee and charged with the direct, on-premises supervision of the ProSource Showroom during all business hours.

17.12 "Principal" means any individual Franchisee, or any partner, shareholder, member or beneficiary of a non-individual franchisee.

17.13 "ProSource Confidential Operations Manual" or "Confidential Operations Manual" or "Operations Manual" or "Manual" shall mean one or more manuals for equipment, supplies, sales, services, operations, and other matters related to the Franchise provided by Franchisor to Franchisee.

17.14 "ProSource Marks" or "Marks" means the tradenames, trademarks and service marks owned by Franchisor or of which Franchisor has rights to use, including but not limited to, "ProSource," "ProSource Wholesale," "ProSource Wholesale Products & Pros for Home & Commercial Projects," "ProKey," "Avienda", "DuraPoint," "DuraWeave," "Somerset House," "Harding (for flooring)", "Resista", "Resista Softstyle", "Avienda", "Pro Trade Credit," "Innnovia (for flooring)", "Innovia Xtreme Clean", "Tigressa", "Core Elements","ProShop Installation Essentials and Design", "Home Pride", "Monument", the design forms in which they are used, together with any tradenames, trademarks, or service marks that Franchisor may in the future designate in writing as constituting a Mark under this Franchise Agreement.

17.15 "ProSource Showroom" or "Showroom" means a store utilizing the ProSource System and the ProSource Marks.

17.16 "ProSource System" or "System" means a business plan and concept for selling floorcovering, Cabinets and other related materials, utilizing certain standards, specifications, methods, procedures, trade secrets, techniques, identification schemes, proprietary marks and information.

17.17 "Related Agreement" means any other agreement by and among Franchisee on the one hand and Franchisor, ProSource Cooperative, Inc. and/or any Affiliate of Franchisor on the other hand.

17.18 "Related Party" shall mean any of the following: (i) the Franchisee, (ii) those persons or entities owning an ownership interest in Franchisee individually or collectively or in any combination; or (iii) any entity in which Franchisee and/or a party owning an ownership interest in Franchisee is an owner thereof either directly or indirectly or otherwise has control over the operation thereof.

~~17.19 "Site Selection Kit" shall mean those items or pieces of information required to be submitted by Franchisee to Franchisor in connection with Franchisee's request for approval of a site for a Showroom as set forth in the ProSource Confidential Operations Manual from time to time.~~

~~17.20~~ 17.19 "Software" shall mean computer software and such documentation related to such software designated by Franchisor for use by a franchisee in the operation of a ProSource Showroom and all improvements, modifications, improvement updates and revisions thereto and copies thereof. While always subject to change, the Software as of the date of this Agreement includes: (a) the RFMS software licensed from RFMS; (b) 20-20 software licensed from 20-20 Design / Cyncly; and (c) the Gateway software licensed from Franchisor.

17.~~21~~20"Substantial part" shall mean that portion of the assets without which the continued operation of the Franchise is materially adversely affected.

17.~~22~~21 "Sundries" shall mean the supplies, including tools, used in the installation, maintenance, cleaning and protection of floorcovering and K&B Products. For purposes of Section 8.4, "Sundries" shall be considered non-floorcovering products.

18. Miscellaneous

18.1 Franchisee's Agreement as to Franchise Operation. Franchisee shall abide by all lawful policies and regulations issued from time to time by Franchisor in connection with Franchisee's operation of the Franchise under this Agreement and all matters arising under this Agreement. Except to the extent

otherwise provided by Franchisor, Franchisor's policies and regulations are set forth in the Manuals as modified by Franchisor from time to time.

18.2 Governing Law; Jurisdiction and Venue. This Agreement shall be deemed made under, and governed by, the internal law of the State of Missouri in all respects, including matters of interpretation, validity, construction, performance and/or enforcement, with the exception that the laws of conflict shall not be applied. Franchisee and Franchisor stipulate that the principal office of Franchisor is in the State of Missouri and all payments by Franchisee to Franchisor are to be made in the State of Missouri and that the law of the State of Missouri can be and has been contracted to be the controlling law.

Franchisee consents to the exclusive jurisdiction and venue of any court (state or federal) of general jurisdiction over St. Louis County, Missouri, specifically including, but not limited to, the United States District Court of the Eastern District of Missouri, for the purpose of any action or proceeding brought to secure payment of the sums due under this Agreement or to secure or enforce the performance of any of the terms, covenants and conditions of this Agreement including any covenants, conditions or guaranties found in any Exhibits attached hereto, or for the purpose of resolving any other disputes between Franchisee and Franchisor. Franchisee further agrees to bring any legal proceedings arising out of this Agreement or the relationship between the parties as Franchisee and Franchisor only in the courts mentioned above.

18.3 Waiver. Either party may unilaterally modify this Agreement in writing by waiving, in whole or in part, the performance of any obligation of which that party is the beneficiary under this Agreement. Failure of Franchisor to enforce any of the provisions of this Agreement shall not constitute a waiver of rights or a waiver of any subsequent enforcement of the provisions of this Agreement.

18.4 Jury Trial Waiver. The parties waive trial by jury in any action, whether at law or in equity, brought by either party relating to the relationship between the parties or arising under or in any way connected with this Agreement or any right or cure hereunder.

18.5 Limitation of Claims/Limitations of Damages. No legal action or proceeding may be brought against Franchisor or its officers, directors, agents, or employees, for any claim or cause of action (whether in contract, tort or otherwise) unless such action or proceeding is instituted within two years from the date the claim or cause of action accrued. Franchisee and Franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other. Franchisee waives and disclaims any right or claim to special, incidental, indirect or consequential damages against Franchisor concerning this Agreement or any related agreement. In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's damages shall not exceed an amount greater than Franchisee's Initial Franchise Fee and royalty payments paid during the 12 months preceding such claim.

18.6 Waiver of Class Action. The parties agree that any disagreement or dispute between the parties will be considered unique as to its facts and must not be brought as a class action and Franchisee waives any right to proceed against Franchisor (and its Affiliates, owners, agents, successors and assigns) by way of class action, or by way of a multi-plaintiff, consolidated or collective action.

18.7 Severability. If any provisions of this Agreement or any part thereof is declared invalid by any court of competent jurisdiction, such act shall not affect the validity of this Agreement, and the remainder of this Agreement shall remain in full force and effect according to the terms of the remaining provisions or parts of provisions hereof.

18.8 Captions. Captions of sections, subsections or articles or other headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any obligation imposed on a party to this Agreement regardless of where contained in this Agreement shall be binding on such party.

18.9 Notices. Notices provided for in this Agreement may be delivered either in person or by certified or registered mail, postage prepaid, return receipt requested, or by a national overnight courier service, such as FedEx, with proof of delivery, or by first class regular US mail, to the other party at the address stated herein or at such address as the other party may designate from time to time. If any party hereto refuses to accept delivery, then proof of attempted delivery shall constitute proof of delivery.

To Franchisor:	ProSource Wholesale Attention: President 4301 Earth City Expressway St. Louis, Missouri 63045-1334
With a Copy to:	Robert D. Jacobs Riezman Berger, P.C. 7700 Bonhomme Avenue, 7th Floor St. Louis, Missouri 63105
To Franchisee:	At the address specified on Schedule A

Notice shall be deemed given when received in the case of personal delivery or delivery by national overnight courier or date of attempted delivery when delivery is refused, and on the third business day following the date of postmark if notice is mailed by first class regular US mail. Notice to a party's legal counsel of record, in accordance with this Section, constitutes notice to the party.

18.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed an original, and all such counterparts shall constitute one and the same instrument.

18.11 Entire Agreement. This Agreement, along with all Exhibits, schedules and addendums attached hereto or contemplated by this Agreement, constitutes the entire agreement between the parties and supersedes any prior agreements or understandings between them, whether oral or written. This Agreement may not be modified except in writing signed by both parties. Any inducements, representations, promises or commitments, oral or otherwise, not embodied herein or in the ProSource Franchise Disclosure Document shall be of no force or effect. All agreements or other documents attached hereto as Exhibits, even if executed as a separate document, whether contemporaneously with this Agreement or thereafter, shall be part of this Agreement and the breach of any term thereof shall be a breach of this Agreement. If Franchisor determines that one or more documents required to be signed have not been signed, Franchisee agrees to promptly sign same upon request.

18.12 Previous Course of Dealing. No previous course of dealing or usage of trade not specifically set forth in this Agreement shall be admissible to explain, modify or contradict this Agreement.

18.13 Terminology. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or

plural, and any other gender, masculine, feminine, or neuter, as the context or sense of this Agreement or any section, paragraph or clause herein may require, as if such words had been fully and properly written in the appropriate number and gender.

18.14 Cumulative Rights and Remedies. All rights and remedies herein conferred upon or reserved to the parties shall be cumulative and concurrent and shall be in addition to every other right or remedy. The termination or expiration of this Agreement shall not deprive the parties of any of their rights or remedies against the other to enforce at law or in equity any of the rights or remedies of either party hereunder.

18.15 Survival. The obligations created under or pursuant to this Agreement intended to survive the termination or expiration of this Agreement shall survive until such obligations are satisfied in full. Without limiting the generality of the foregoing, Sections 3.4, 5.9, 5.13, 5.14, 5.15, 5.24, 6.4, 6.8, 6.16, 6.17, 11.1, 11.5, 15.1, 15.2, 16.1, 16.2, 16.3, 16.4, 18.2, 18.4, 18.5 and 18.6 shall survive the termination of this Agreement until all such obligations are satisfied in full.

18.16 Time is of the Essence. The parties hereby acknowledge and agree that time is of the essence and furthermore each term of this Franchise Agreement is material.

18.17 Authority. If Franchisee is not an individual, the person signing on behalf of the Franchisee represents and warrants to Franchisor that such person is an authorized officer of Franchisee with full power and authority to enter into this Franchise Agreement on behalf of Franchisee and bind the Franchisee to the terms and conditions herein as its legally binding obligations. Failure of such signatory to have such authority shall subject such individual to individual responsibility under this Agreement.

18.18 Completion and Execution of Schedule A and Execution of Addendum. Franchisee and its Principals shall complete and sign Schedule A attached hereto and incorporated herein. Each Principal shall execute the Addendum attached hereto and incorporated herein.

18.19 Execution of Unconditional Guaranty. Each Franchisee or, if Franchisee is a non-individual (corporation, partnership, limited liability company, or other), all of the Principals and the Principals' spouses of a Franchisee must execute the Unconditional Guaranty, a copy of which is attached to this document as Exhibit IV. In addition, for each Principal that is a non-individual (corporation, partnership, limited liability company, or other) the owners of such entity, and if an individual, each respective spouse shall execute the Unconditional Guaranty, a copy of which is attached to this document as Exhibit IV upon request by Franchisor. If additional guarantors are required by Franchisor in order to obtain the approval of Franchisor, such additional guarantors shall sign a guaranty in form as required by Franchisor.

18.20 Acknowledgments. Franchisee acknowledges the following:

A. Franchisee has been informed, understands and acknowledges that because of the competitive nature of the floor covering and Cabinet business, successful operation of the Franchise will depend, in large part, upon the best efforts, capabilities, and management skills of the Franchisee, as well as the general economic trends and other local marketing conditions.

B. Franchisee acknowledges that (i) Franchisor continues to develop the ProSource System, and thus may need to modify, improve and/or change the ProSource System from time to time, (ii) the ProSource System may not prove successful despite all efforts Franchisee and/or Franchisor make; and (iii) Franchisee's investment is being made after Franchisee has been given

a full and fair opportunity to ask any and all questions and receive all information relevant thereto which Franchisor can produce or obtain without incurring unreasonable expense.

C. Except as set forth in Item 19 of the Franchise Disclosure Document previously received by Franchisee, Franchisee has not received from Franchisor or any employee or agent thereof and, upon execution of this Franchise Agreement, is not relying upon, any oral or written inducements, promises, commitments, guarantees, projections or representations relating to past, projected, estimated or anticipated earnings, income, sales or profits of any ProSource franchise.

D. Franchisee acknowledges and agrees that Franchisee received (i) Franchisor's then current Franchise Disclosure Document at least 14 days prior to execution of this Agreement, and (ii) a fully completed copy of this Agreement at least 7 days prior to execution.

E. Franchisee, together with its advisors, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise. Franchisee further acknowledges and understands that operating a ProSource Showroom involves a certain amount of risk, and Franchisee accepts sole responsibility for such risk.

F. Franchisee acknowledges that no warranty or representation is made by Franchisor that all ProSource franchise agreements heretofore or hereafter issued by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that Franchisor may, in its sole reasonable business judgment, due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements heretofore or hereafter granted to other ProSource franchisees in a non-uniform manner.

G. Franchisee acknowledges that Franchisor is an affiliate of CCA and subsidiaries and affiliates thereof. These companies and subsidiaries and affiliates own, operate, develop, license and/or franchise floor covering stores and/or retail businesses operating under the names "Carpet One Floor & Home", "The Floor Trader", "Flooring America", "Flooring Canada", "~~Floor Expo", "Home Solutions", "Multi-Family Solutions", "KBx", "K&B Alliance",~~ "International Design Guild" and "Lighting One" and may continue to develop and acquire other floorcovering or Cabinet concepts. Further, Franchisee acknowledges and agrees that these companies and subsidiaries will have the absolute right to own, operate, develop, license and franchise the foregoing concepts and any other floorcovering, Cabinet and non-floorcovering concepts or businesses at any location in the world, including locations that may be in the Area and locations that may be near or adjacent to the Area even if the location competes for customers with Franchisee.

H. Franchisee certifies that neither Franchisee nor anyone having an ownership or other interest in Franchisee ("Owner"), nor any affiliate, parent, child or spouse of Franchisee or any Owner, supports terrorism, provides money or financial services to terrorists, is engaged in terrorism, is on the current United States government list of organizations that support terrorism, or has been engaged in or convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other similar crimes. Franchisee certifies that neither Franchisee nor any Owner is on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control. Further, Franchisee and all Owners represent and warrant that they have not violated and each agrees not to violate, any law prohibiting corrupt business practices, money laundering or the aid or support of those who

conspire to commit acts of terror including acts prohibited by the U.S. Patriot Act, U.S. Executive Order 13224 or any similar law. Franchisee will comply and cooperate with Franchisor's efforts to comply with all laws, regulations and Executive Orders relating to anti-terror activities including without limitation, the U.S. Patriot Act and U.S. Executive Order 13224.

I. This Agreement is not binding on Franchisor until it is signed by Franchisor. Franchisor has no obligation to accept and sign this Agreement once it is signed by Franchisee (and all attachments, exhibits and schedules are fully completed and signed as required).

J. This Agreement will not violate any other agreement or commitment to which Franchisee or any Principal is a party or to which Franchisee or any Principal is bound.

18.21 State Required Addendum. If the state franchise regulatory authority for the state in which the Franchise is located requires certain terms and conditions to be included in this Franchise Agreement, such terms and conditions will be found on the State Required Addendum attached hereto and incorporated herein by this reference.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Agreement, understands and consents to be bound by all of its terms and conditions, and agrees this Agreement shall become effective and has been executed as of the Commencement Date set forth above on page 1 of this Agreement.

FRANCHISEE:	FRANCHISOR:
_____	LEADING EDGE MARKETING, INC.
By:_____	By:_____
Title:_____	Title:_____

SCHEDULE A
FRANCHISEE OWNERSHIP INFORMATION
DESIGNATION OF PRIMARY OWNER

1. Franchisee: _____

   Address: _____

   _____

   _____

2. List of all owners, partners, shareholders, or members holding an equity interest in Franchisee:

Name and full address	**% interest**
_____	_____
_____	
_____	
_____	_____
_____	
_____	
_____	_____
_____	
_____	

3. Form of legal organization of Franchisee (circle one):

   (a) sole proprietorship, (b) partnership, (c) corporation, (d) limited liability company, (e) other.

4. If Franchisee is a corporation, attach certified copy of Articles of Incorporation and all corporate documents authorizing the corporation to enter into this Agreement. If Franchisee is a partnership, attach Partnership Agreement. If Franchisee is a limited liability company, please attach Articles of Organization and Operating Agreement or equivalent.

5. Franchisee hereby designates the equity owner listed below as the "Primary Owner." The Primary Owner is the person with whom Franchisor will communicate on all matters relating to the Franchise, the Franchise Agreement, and to the operation of the Showroom; Primary Owner is responsible for communicating matters of interest to the other equity owners of Franchisee, and to the Showroom Manager and other employees as necessary. Primary Owner is the person who represents Franchisee to Franchisor, and Primary Owner has the power and authority to bind Franchisee on all matters with Franchisor. Franchisee may designate a new Primary Owner by written notice to Franchisor in accordance with the Franchise Agreement from: (a) the existing Primary Owner, or (b) a majority (50%+) of the other equity owners of Franchisee (with corresponding documentation as requested by Franchisor), to Franchisor at the address set forth in the Franchise Agreement.

The Primary Owner is:

_____

The undersigned have executed this Schedule A as of the date set forth below.

_____
Franchisee Name

By:_____

Print Name:_____

Title:_____

Date:_____

Owners:

_____	_____
Print Name:_____	Print Name:_____
Date:_____	Date:_____
_____	_____
Print Name:_____	Print Name:_____
Date:_____	Date:_____

ADDENDUM TO
PROSOURCE FRANCHISE AGREEMENT
PERSONAL COVENANTS OF OWNERS
RE COVENANTS NOT TO COMPETE AND CONFIDENTIALITY

(To be signed by all persons shown on Schedule A as having a stock, membership, ownership or partnership interest in the Franchisee)

Each of the undersigned agrees as follows:

1. The undersigned acknowledges that he or she is the owner of capital stock, membership interest or a partnership interest in _____, Franchisee under the ProSource Franchise Agreement dated _____ 202__ between the Franchisee and Leading Edge Marketing, Inc. ("LEMI") (the "Franchise Agreement"). The undersigned acknowledges the direct personal benefit accruing to him or her under the Franchise Agreement.

2. As an inducement to LEMI to enter into the Franchise Agreement with the Franchisee, and in consideration of the direct and personal benefits to be derived by the undersigned thereby, the undersigned agrees that he or she shall be personally bound by all of the recitations, obligations and covenants of the Franchisee contained in Sections 12.1A, 12.3 and Article 16 of the Franchise Agreement as if such recitations, obligations and covenants were made and given personally by the undersigned directly to LEMI and that such recitations, obligations and covenants are fair and reasonable and will not deprive the undersigned of his or her respective livelihood. The undersigned has read and understands all the provisions of said Section 12 and Article 16.

3. The undersigned agrees that if any sentence, clause, paragraph or combination of the same in Section 12.1A, 12.3 and Article 16 of the Franchise Agreement is held by a court to be unenforceable as applied to the undersigned, then such unenforceable sentence, clause or paragraph may be modified by such court to the extent necessary to render it enforceable, and if it cannot be so modified, it shall be severed and the remainder of Section 12.1A and 12.3 and Article 16 shall remain in full force and effect.

4. This Addendum shall be governed by the internal laws of the State of Missouri.

[SIGNATURE PAGE FOLLOWS]

The undersigned have each executed this instrument as of the date set forth below such person's signature.

_____	_____
Print Name:_____	Print Name:_____
Date:_____	Date:_____
_____	_____
Print Name:_____	Print Name:_____
Date:_____	Date:_____

EXHIBIT I

DESCRIPTION OF AREA

Franchisee agrees that (i) if the Description of Area is completed above (or attached) at the time of execution of the Franchise Agreement, Franchisee agrees to such Description of Area; and (ii) if the Description of Area is not completed above at the time of the signing of the Franchise Agreement, at such time that Franchisor determines the boundaries of the Area, Franchisor will notify Franchisee in writing of the Description of Area and such description will be the Description of Area and will be attached by Franchisor to the Franchise Agreement as Exhibit I.

Franchisee's signature:_____

Print Name: _____

Date:_____

EXHIBIT II
FORM OF
CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT ("Agreement"), entered into as of the ____ day of _____, 202_, by and between _____ ("Franchisee"), and

_____, an individual ("Employee"), whose mailing address is:

_____.

In consideration of the covenants, obligations and conditions below, Franchisee and Employee hereby acknowledge, covenant and agree as follows:

1. Franchisee, as a condition of Franchisee's ProSource franchise agreement with Leading Edge Marketing, Inc. ("Franchisor"), is required to obtain Employee's agreement with respect to the matters set forth in this Agreement.

2. In the course of Employee's work for Franchisee and/or affiliated entities of Franchisee, Employee may acquire and have access to certain proprietary and confidential information and trade secrets pertaining to the business and affairs of Franchisee and/or Franchisor and their respective products, customers and sources of supply, including, for example, the ProSource Confidential Operations Manual, Franchisee's customer lists, member lists, supplier lists, prospect lists, software, know-how, marketing information, purchase information, product information and pricing, and information as to the plans or contemplated actions of Franchisee and/or Franchisor (collectively, "Confidential Information") and that Employee may have close contact with Franchisee's customers. All Confidential Information, as well as any and all documents relating to such Confidential Information, shall be and remain the sole and absolute property of Franchisee or Franchisor, as the case may be, for all purposes of this Agreement and Employee shall not, either while employed by Franchisee or at any time after Employee ceases to be employed by Franchisee, disclose any Confidential Information whatsoever, except as required in the ordinary course of performing Employee's duties as an employee of Franchisee. Upon termination of Employee's employment with Franchisee and/or any affiliated entities of Franchisee, Employee shall immediately return to Franchisee all Confidential Information, including that which belongs to Franchisor, and other property belonging to Franchisee, and all copies thereof, in Employee's possession or control.

3. Employee agrees and acknowledges that all records, files, memoranda, reports, price lists, customer lists, drawings, plans, sketches, documents and the like (together with all copies thereof) relating to the business of Franchisee which Employee shall use or prepare or come in contact with in the course of, or as a result of, Employee's employment shall remain the sole property of Franchisee or Franchisor as the case may be. Upon the termination of employment or upon the prior demand of the Franchisee, Employee shall immediately return all such materials and shall not thereafter cause removal thereof from the premises of the Franchisee.

4. Employee acknowledges that in the course of Employee's employment, Employee may from time to time create for Franchisee or Franchisor copyrightable works. Such works may consist of manuals,

~~5.~~ pamphlets, instructional materials, computer programs, films, tapes or other copyrightable material, or portions thereof, and may be created within or without the Franchisee's facilities and before, during or after normal business hours. Employee agrees that all such works related to or useful in the business of Franchisee are specifically intended to be works made for hire and shall be the property of Franchisee or Franchisor. Employee shall cooperate with Franchisee in the protection of the Franchisee's or Franchisor's copyrights therein and, to the extent deemed desirable by the Franchisee, the registration of such copyrights. At Franchisee's request and expense, both during and after Employee's employment, Employee will promptly execute a specific assignment of title to the Franchisee or Franchisor of any item described above, and perform all other acts reasonably necessary to enable the Franchisee or Franchisor to secure a copyright therefor in the United States and in other foreign countries and to maintain, defend and assert such copyrights. This obligation shall survive the termination or expiration of this Agreement and shall be in addition to, and not in lieu of any obligation under Section 5 with respect to the item at issue.

~~6.~~5. Employee agrees that any inventions, discoveries or improvements that Employee may develop or conceive during the course of Employee's employment shall be the sole property of the Franchisee or Franchisor. Employee agrees to promptly disclose to the Franchisee in writing all such inventions, discoveries and improvements. At Franchisee's request and expense, both during and after Employee's employment, Employee will promptly execute a specific assignment of title to Franchisee or Franchisor of each invention, discovery or improvement described above, and perform all other acts reasonably necessary to enable the Franchisee or Franchisor to secure a patent therefor in the United States and in foreign countries and to maintain, defend and assert such patents. This obligation shall survive the termination or expiration of this Agreement and shall be in addition to, and not in lieu of any obligation under Section 4 with respect to the item at issue.

~~7.~~6. Employee agrees that for one year following the termination of Employee's employment with Franchisee, regardless of how or why terminated, Employee shall not (i) persuade, entice or attempt to persuade or entice, any employees of Franchisee to discontinue employment with Franchisee, or (ii) hire any employees of Franchisee.

~~8.~~7. Because of the irreparable injury which will result from a breach of any of the terms or conditions of Section 2, 3, 4, 5 and/or 6 above, Employee understands and agrees that in addition to any damages or reimbursement to which Franchisee and/or Franchisor may be entitled, Franchisee and/or Franchisor may obtain the issuance of a preliminary, temporary and/or permanent injunction to enforce the terms and intended benefits of this Agreement.

~~9.~~8. This Agreement is not an employment agreement and governs only the terms and conditions set forth herein.

~~10.~~9. In the event that any provision of this Agreement is held to be invalid, prohibited or unenforceable in any jurisdiction for any reason (including, but not limited to, the scope, duration or area of its applicability), unless narrowed by construction, this Agreement shall, as to such jurisdiction, be construed as if such invalid, prohibited or unenforceable provision had been more narrowly drawn so as not to be invalid, prohibited or unenforceable (and the court making any such determination as to any provision shall have the power to modify such scope, duration or area, or all of them, and such provision shall then be applicable in such modified form). If, notwithstanding the foregoing, any provision of this Agreement is held to be invalid, prohibited or unenforceable in any jurisdiction for any reason, such

provision shall be ineffective to the extent of such invalidity, prohibition or unenforceability and the remainder of such provision, and all other provisions of this Agreement, shall remain in full force and effect.

~~11.~~10. Notwithstanding any other provision herein, pursuant to the Defend Trade Secrets Act of 2016, an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual: (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

~~12.~~11. This Agreement may not be altered, modified, amended or waived, except by a writing signed by Franchisee and Employee and approved by Franchisor.

~~13.~~12. No waiver of any event of default under this Agreement shall be deemed a waiver of any continuing or subsequent default.

~~14.~~13. This Agreement shall constitute the entire Agreement between the parties relating to the subject matter hereof, and no representations, promises, understandings, or agreements, oral or otherwise, not herein contained, shall be of any force or effect whatsoever.

~~15.~~14. Employee acknowledges that Franchisee's employment of Employee (or continued employment) constitutes adequate and sufficient consideration for Employee's obligations under this Agreement.

~~16.~~15. This Agreement shall be governed by the laws of the state in which Franchisee's business is located.

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

EMPLOYEE:	**FRANCHISEE:**
Signature: _____	_____
	By _____
Print Name: _____	Title: _____

EXHIBIT III
FORM OF
NON-COMPETE AGREEMENT

This Non-Compete Agreement ("Agreement") is entered into this __ day of _____, 20__ by and between:

_____("Employee")
[print Employee's full name, printed]

_____ _____
[insert Employee's address] [insert Employee's address]

And

_____("Company")
[insert Franchisee's company name]

_____ Attention: President
[insert Franchisee's address]

_____
[insert Franchisee's address]

Whereas, Employee currently serves in a managerial or other significant capacity for Company, or desires to serve in such capacity for Company;

Whereas, Company has a legitimate business interest to protect its confidential information and trade secrets, and requires certain management level and other significant employees to sign this Agreement as a condition of employment (or continued employment); and

Whereas, Employee desires to work for Company in such a position.

Now, Therefore, in consideration of the foregoing premises which are incorporated herein, and other good and valuable consideration, the receipt and sufficiency of which the parties agree and acknowledge, the parties agree as follows:

1. Non-compete. In consideration of employment (or continued employment), Employee agrees that during Employee's employment with Company and for a period of twelve (12) months after termination of employment (for any reason), Employee shall not:

(i) engage in, directly or indirectly, by virtue of being an employee, proprietor, partner, director, officer, stockholder, owner, agent, or through family relationships, or by financing or investing in same, or by consulting, advising or assisting, or by being associated with, or supplier to, a floorcovering business, a kitchen & bath product business, or other business offering goods and

services similar to those offered by Company at any of Company's ProSource Showroom(s) (herein, "Showroom") within a twenty (20) mile radius of the location of: (a) the Company Showroom(s) that Employee worked at, or provided services for; or (b) any other Showroom owned or managed by Company or an affiliate of Company during the time of Employee's employment with Company;

(ii) divert any business or customers of Company's Showroom(s) to a competitor or potential competitor;

(iii) except in the course of performing duties as an employee of Company, solicit the business of or make contact with the customers or members of Company's Showroom(s) with respect to the sale of any floorcovering or kitchen & bath products or other goods sold at Company's Showroom(s) during the last twelve (12) months immediately preceding the termination of Employee's employment with Company; or

(iv) solicit or hire any employee of Company or any of its affiliates either on behalf of Employee or any other person or entity.

Notwithstanding the foregoing, in the event a court of competent jurisdiction determines that the radius described in the preceding sentence must be defined as of the date of this Agreement to be enforceable, such radius for purposes of such jurisdiction only shall be defined as "within a twenty (20) mile radius of the locations of all existing Showrooms owned or managed by Company or any affiliate of Company as of the date of this Agreement." For purposes of this Section 1, a "floorcovering business" shall me a business that derives more than 10% of its revenue from the sale of floorcovering products (including without limitation, carpet, carpet tile, wood, laminate, tile, vinyl, and ceramic); and a "kitchen & bath business" shall mean a business that derives more than 10% of its revenue from the sale of kitchen & bath products (including without limitation, kitchen cabinets, bathroom cabinets, vanities, countertops, faucets, sinks, backsplashes and related products and accessories).

2. Remedies. Because of the irreparable injury which will result from a breach of any of the terms or conditions of Section 1 above, Employee understands and agrees that in addition to any damages or reimbursement to which Company may be entitled, Company may obtain the issuance of a preliminary, temporary and/or permanent injunction to enforce the terms and intended benefits of this Agreement, and Employee hereby waives any requirement that Company post any bond in connection with any such restraining order or injunction. If any provision of this Agreement is held to be invalid, prohibited or unenforceable in any jurisdiction for any reason (including, but not limited to, the scope, duration or area of its applicability), this Agreement shall, as to such jurisdiction, be construed as if such invalid, prohibited or unenforceable provision had been more narrowly drawn so as not to be invalid, prohibited or unenforceable (and the court making any such determination as to any provision is hereby authorized to modify such scope, duration or area, or all of them accordingly, and such provision shall then be applicable in such modified form). If, notwithstanding the foregoing, any provision of this Agreement is held to be invalid, prohibited or unenforceable in any jurisdiction for any reason, such provision alone shall be ineffective to the extent of such invalidity, prohibition or unenforceability and the remainder of such provision, and all other provisions of this Agreement, shall remain in full force and effect. In the event Employee does not fully comply with Section 1, then the time period during which such covenants remain binding obligations on Employee shall be extended one day for each day Employee does not

comply therewith. Company shall have the right to unilaterally reduce the scope of any of the foregoing restrictions upon notice to Employee. Employee agrees and acknowledges that the restrictions set forth in this Agreement are reasonable and necessary to protect Company's trade secrets, goodwill and protectable interests.

3. Miscellaneous. This Agreement may not be amended except by a writing signed by Company and Employee. Any written notice delivered under this Agreement shall be sent or delivered to the addresses set forth herein. No waiver of any event of default under this Agreement shall be deemed a waiver of any continuing or subsequent default. This Agreement shall constitute the entire Agreement between the parties relating to the subject matter hereof, and no representations, promises, understandings, or agreements, oral or otherwise, not herein contained, shall be of any force or effect whatsoever. Employee acknowledges that Company's employment of Employee (or continued employment) constitutes adequate and sufficient consideration for Employee's obligations under this Agreement. This Agreement is not an employment agreement and governs only the terms and conditions set forth herein. This Agreement shall be governed by, and construed under the law of the state in which Company's main ProSource Showroom is located.

Employee	**Company/Franchisee**
_____	By: _____
Date: _____	Name: _____
	Title: _____
	Date: _____

EXHIBIT IV
UNCONDITIONAL GUARANTY

ProSource of _____ Effective Date:_____
(the "Showroom")

TO: LEADING EDGE MARKETING, INC. RE:_____
d/b/a ProSource Wholesale ("Franchisee")
St. Louis, Missouri

For the purpose of inducing Leading Edge Marketing, Inc. (herein called "Franchisor") to accept the Franchise Agreement, as defined below, between Franchisor and Franchisee for the Showroom named above , the undersigned (herein called "Guarantor", whether one or more), jointly and severally, unconditionally guarantee (i) the prompt and full payment to Franchisor when due of all Indebtedness, as defined below, of Franchisee to Franchisor (including all principal, interest, attorneys' fees, late charges and other charges becoming due with respect to such Indebtedness) arising from the Franchise Agreement, and (ii) the full and faithful performance of all terms and conditions of the Franchise Agreement which are an obligation of Franchisee upon such terms as set forth in the Franchise Agreement, all of which are hereby incorporated by reference (herein collectively sometimes referred to as "Obligations"). Should Franchisee for any reason fail to pay any Indebtedness, when due, Guarantor promises to pay the same upon demand to Franchisor at its offices at St. Louis, Missouri. For clarification, this Guaranty is intended to guaranty the Indebtedness and Obligations under the Franchise Agreement defined below and signed contemporaneously herewith and also includes the guaranty of the Indebtedness and Obligations under any renewal or successor franchise agreements between Franchisor and Franchisee.

The Obligations of Guarantor, and each of them, under this Unconditional Guaranty and those of any other Guarantor who may have guaranteed or who hereafter guarantee any Indebtedness of Franchisee or the performance of any term or condition of the Franchise Agreement are and will be joint and several, and Franchisor may release or settle with any one or more of the Guarantors at any time without affecting the continuing liability of the remaining Guarantor or Guarantors.

Guarantor authorizes the Franchisor, without notice, without the consent of Guarantor and without affecting Guarantor's Obligations under this Unconditional Guaranty in any manner, to change the terms of any Indebtedness including, but not limited to the renewal, extension, acceleration, refinancing, modification of the interest rate, or change in the manner or place of payment of any Indebtedness upon such terms and conditions and with such modifications and changes as Franchisor may see fit at any time and from time to time.

Guarantor waives notice of acceptance of this guaranty and also presentment, demand, protest, notice of protest, and notice of dishonor of any Indebtedness or other Obligation guaranteed hereby. No extension of time or credit or other indulgence, including the acceptance of any partial payment or performance, or the compromise or release of any claims, granted by Franchisor to Franchisee or Guarantor, or any of them, will release or affect the Obligations of Guarantor and no omission or delay on Franchisor's part in exercising any right hereunder or in taking any action to collect or enforce payment

of any Obligation guaranteed hereby will be a waiver of any such right or release or affect the obligations of Guarantor hereunder. Any Indebtedness now or hereafter owed by Franchisee to Guarantor, or any of them, is subordinated to Franchisee's Indebtedness to Franchisor.

It is understood that Franchisor may from time to time take collateral to secure one or more of the Obligations of Franchisee to Franchisor, and Guarantor agrees that Franchisor may, without notice to or consent from Guarantor, release any collateral now held or hereafter acquired or substitute other collateral, and no such action will release or diminish the obligations of Guarantor hereunder. Franchisor will have no duty to marshal security, to sue or otherwise attempt collection from Franchisee or any other party, to take proceedings against any collateral it may have or any other property or to take any action of any sort prior to demanding and enforcing payment by Guarantor. Specifically, but without limiting the foregoing, Guarantor waives any right to have Franchisee joined in a suit brought against Guarantor on this Unconditional Guaranty and also any right to require Franchisor to sue Franchisee forthwith on any Obligation guaranteed hereby as a prerequisite to any action by Franchisor against Guarantor. Guarantor hereby waives the right to require Franchisor to exhaust any security or to have any property of the Franchisee first applied to any of the Obligations secured hereby prior to bringing any action against Guarantor. Guarantor waives the benefit of any "antideficiency legislation" which might otherwise bar any recovery against Guarantor because of Franchisor's election of remedies. Notwithstanding any foreclosure of any lien arising under any security agreement with respect to any or all of any real or personal property secured thereby, whether by the exercise of the power of sale contained therein, by an action for judicial foreclosure or by an acceptance of a deed in lieu of foreclosure, Guarantor shall remain bound under this Unconditional Guaranty. Any payment received by Franchisor from Franchisee, or from any source other than Guarantor may be applied to the Obligations of Franchisee to Franchisor in whatever order Franchisee elects, and any payment received from any Guarantor may be applied to any Obligations of franchisee to Franchisor guaranteed hereunder in whatever order Franchisor elects.

If Guarantor is or becomes a member or owns a controlling interest in an entity that is a member ("Related Party") of ProSource Cooperative, Inc., to secure Guarantor's obligations under this guaranty, Guarantor hereby grants to Franchisor a security interest in all sums of money which Guarantor or such Related Party receives or is entitled to receive from ProSource Cooperative, Inc., which sums may be paid directly to Franchisor to the extent of monies owed to Franchisor under this Guaranty upon prior notice by Franchisor to ProSource Cooperative, Inc. if Franchisee is in default of any of Franchisee's payment obligations to Franchisor, or an affiliate or a key supplier to the ProSource System. Franchisor shall have all of the rights of a secured party under the Uniform Commercial Code as enacted in the state where the subject franchise is located. Guarantor shall execute any and all documents, forms and other instruments deemed necessary by Franchisor, acting reasonably, to perfect its security interest in the aforesaid collateral.

If Guarantor or a Related Party is or becomes a member of CCA Global Partners, Inc. or any entity managed by any entity affiliated with it (collectively, "CCA"), to secure Guarantor's obligations under this Guaranty, Guarantor hereby grants to Franchisor a security interest in all sums of money which Guarantor or such Related Party receives or is entitled to receive from CCA, which sums may be paid directly to Franchisor to the extent of monies owed to Franchisor upon prior notice by Franchisor to CCA if Franchisee is in default of any of Franchisee's payment obligations to Franchisor, an affiliate or a key supplier to the ProSource System. Franchisor shall have all of the rights of a secured party under the Uniform Commercial Code as enacted in the state where the subject franchise is located. Guarantor shall

execute any and all documents, forms and other instruments deemed necessary by Franchisor, acting reasonably, to perfect its security interest in the aforesaid collateral.

If any Obligations of Franchisee guaranteed hereunder should be assigned by Franchisor, this Unconditional Guaranty will inure to the benefit of Franchisor's assignee to the extent of such assignment, provided that such assignment will not operate to relieve Guarantor from any obligation to Franchisor hereunder and further that the rights of any assignee will be subordinate to the rights of Franchisor under this Unconditional Guaranty as to any unassigned Obligations.

Guarantor agrees to pay to Franchisor any attorneys' fees, and all costs and expenses of collection whenever Franchisor employs an attorney to enforce any Obligations of the Franchisee or Guarantor under this Unconditional Guaranty, whether by suit or other means.

No agreement exists between Guarantor and Franchisor that the Obligations of Guarantor under this Unconditional Guaranty are or will be other than as set out herein. The rights and remedies of Franchisor under this Unconditional Guaranty and any others otherwise created are cumulative and may be exercised singularly or concurrently, and the exercise of any one or more of them will not be a waiver of any other. No act, delay, omission or course of dealing between Franchisor and Franchisee or Guarantor, or any of them, will be a waiver of any of Franchisor's rights or remedies under this Unconditional Guaranty, and no waiver, change, modification or discharge of this agreement or any obligation created hereby will be effective unless in writing signed by Franchisor. Each married Individual Guarantor hereby binds both his/her separate and marital estates.

All terms and conditions of the Franchise Agreement described above are incorporated herein, and it is acknowledged that a default thereunder shall constitute a default under this Unconditional Guaranty. In the event of a conflict between the terms, covenants and conditions of this Unconditional Guaranty and such Franchise Agreement, the terms, covenants and conditions of the document which shall enlarge the interest of the Franchisor in any Collateral for the Indebtedness, afford the Franchisor greater financial security in such Collateral and/or assure payment of the Indebtedness in full, shall control.

Each Guarantor hereby waives any right to trial by jury in any action, claim or lawsuit filed in any tribunal in connection with this Unconditional Guaranty.

Notwithstanding any provision herein to the contrary, the obligations of the Guarantor hereunder shall not be extinguished and the Guarantor shall remain liable under this Unconditional Guaranty in the event a payment in whole or in part of the Indebtedness due to the Franchisor from the Franchisee is subsequently recaptured as a voidable preference under applicable bankruptcy, insolvency and receivership laws. Unless the Franchisee or any other party making payment thereof has filed for protection under applicable bankruptcy, insolvency or receivership laws, upon request, the Franchisor shall be required to return this Unconditional Guaranty to the Guarantor within eighteen (18) months after payment in full of the Indebtedness and performance of all the Obligations.

Each Guarantor hereby represents, warrants and covenants that such Guarantor has full authority to enter into, execute and carry out the terms and conditions of this Unconditional Guaranty and when

executed, this Unconditional Guaranty shall be a binding obligation on such Guarantor, enforceable in accordance with its terms.

Each Guarantor will from time to time and as often as Franchisor may reasonably request, execute and deliver to Franchisor a current financial statement which correctly and fairly presents the Guarantor's financial condition as of the date indicated and for the periods involved and shows all material liabilities, direct and contingent.

This Unconditional Guaranty shall be construed in accordance with the laws of the State of Missouri, shall inure to the benefit of Franchisor, its successors and assigns, and shall be binding on the undersigned and the heirs, executors, administrators, successors and assigns of the undersigned.

For purposes of this Unconditional Guaranty (i) "Franchise Agreement" shall mean and include the franchise agreement between Franchisor and Franchisee for the Showroom identified above (the "Current Agreement"), any and all renewal, extension, successor or replacement agreements relating to the Current Agreement, and any and all agreements attached to the Current Agreement or any renewal, extension, successor or replacement agreements thereto as an exhibit and (ii) "Indebtedness" shall mean any monetary amounts due Franchisor arising directly or indirectly from the obligations created by the Franchise Agreement or otherwise.

EXECUTED this ____ day of _____, 20___.

"Guarantor"

_____
Print Name:_____
_____
Spouse (if Guarantor is married)

"Guarantor"

_____
Print Name:_____
_____
Spouse (if Guarantor is married)

"Guarantor"

_____
Print Name:_____
_____
Spouse (if Guarantor is married)

"Guarantor"

_____
Print Name:_____
_____
Spouse (if Guarantor is married)

EXHIBIT V

STATE REQUIRED ADDENDUM TO THE
LEADING EDGE MARKETING, INC., d/b/a
PROSOURCE WHOLESALE FLOORCOVERINGS, INC. ("PROSOURCE")
FRANCHISE AGREEMENT

CALIFORNIA

The state of California requires that the following provisions be included in the Franchise Agreement for all California ProSource Franchisees. Notwithstanding any provision to the contrary contained in the Franchise Agreement, any conflict between the terms and conditions of the Franchise Agreement and this Addendum shall be resolved in favor of this Addendum.

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

2. 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).

3. 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.

4. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

5. The franchise agreement requires application of the laws of Missouri. This provision may not be enforceable under California law.

6. California law may not permit the franchisor to disclaim express and/or implied warranties. To the extent that this prohibition exists in California, sections in the Franchise Disclosure Document and Franchise Agreement which permit the franchisor to disclaim express and/or implied warranties may be unenforceable.

EXHIBIT D

STATE FRANCHISE REGULATORS AND AGENT FOR SERVICE OF PROCESS

Following is a list of the names and addresses of the state agencies regulating franchises in the states listed below. Franchisor has also designated the agency listed under each state as its agent in the state authorized to receive service of process on behalf of Franchisor.

State	Agents for Service of Process	State Regulator / State Administrator
California	Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, CA 94104-4428 1-866-275-2677	Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, CA 94104-4428 1-866-275-2677
Hawaii	Commissioner of Securities Department of Commerce and Consumer Affairs 335 Merchant Street, Room 205 Honolulu, Hawaii 96813	Commissioner of Securities Department of Commerce and Consumer Affairs 335 Merchant Street, Room 205 Honolulu, Hawaii 96813
Illinois	Attorney General 500 South Second Street Springfield, Illinois 62701	Attorney General 500 South Second Street Springfield, Illinois 62701
Indiana	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204	Indiana Securities Division 302 West Washington Street Room E-111 Indianapolis, Indiana 46204
Maryland	Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202
Michigan		Michigan Department of the Attorney General Consumer Protection Division, Franchise Unit G. Mennen Williams Building, 1st Floor 525 W. Ottowa Street P.O. Box 30213 Lansing, Michigan 48909 (517) 335-0855
Minnesota	Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 280 Saint Paul, Minnesota 55101	Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 280 Saint Paul, Minnesota 55101
New York	~~New York Department~~Secretary of State ~~One Commerce Plaza,~~ 99 Washington Avenue~~, 6th Floor~~ Albany, NY 12231~~-0001~~ ~~(518) 473-2492~~	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 212-416-8222

Rhode Island	State of Rhode Island DEPARTMENT OF BUSINESS REGULATION Securities Division 1511 Pontiac Avenue, Bldg. 68-2 Cranston, Rhode Island 02920	State of Rhode Island DEPARTMENT OF BUSINESS REGULATION Securities Division 1511 Pontiac Avenue, Bldg. 68-2 Cranston, Rhode Island 02920
South Dakota	Director of Insurance & Securities Regulation South Dakota Dept. of Labor and Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501	Director of Insurance & Securities Regulation South Dakota Dept. of Labor and Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501
Virginia	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219
Washington	Director of Dept. of Financial Institutions Securities Division 150 Israel Rd SW Tumwater WA 98501 (360) 902-8760	Director of Dept. of Financial Institutions Securities Division 150 Israel Rd SW Tumwater WA 98501 (360) 902-8760
Wisconsin	Department of Financial Institutions Commissioner of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705	Department of Financial Institutions Commissioner of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

EXHIBIT E

GUARANTEE OF PERFORMANCE

For value received, CCA Global Partners, Inc., a Delaware corporation (the "Guarantor"), located at 4301 Earth City Expressway, St. Louis, Missouri 63045, absolutely and unconditionally guarantees to assume the duties and obligations of Leading Edge Marketing, Inc. d/b/a ProSource Wholesale Floorcoverings, located at 4301 Earth City Expressway, St. Louis, Missouri 63045 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2024 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at St. Louis, Missouri, on the 15th day of January, 2024.

Guarantor:
CCA Global Partners, Inc.

By: Robert M. Wilson
Robert M. Wilson, Chief Administrative Officer

EXHIBIT F

LEADING EDGE MARKETING, INC., d/b/a
PROSOURCE WHOLESALE FLOORCOVERINGS, INC. ("PROSOURCE")
STATE ADDITIONAL INFORMATION PAGE

CALIFORNIA

Notwithstanding any provision to the contrary contained in the Franchise Disclosure Document, the state of California requires that the following disclosure be made and included as a part of the Franchise Disclosure Document. Any conflict between the Franchise Disclosure Document and this State Additional Information Page must be resolved in favor of this State Additional Information Page.

1. 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 California state law, such California state law will control.

2. 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).

3. 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.

4. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

5. The franchise agreement requires application of the laws of Missouri. This provision may not be enforceable under California law.

6. California law may not permit the franchisor to disclaim express and/or implied warranties. To the extent that this prohibition exists in California, sections in the Franchise Disclosure Document and Franchise Agreement which permit the franchisor to disclaim express and/or implied warranties may be unenforceable.

7. The earnings claim figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your ProSource franchise. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of information.

8. California law requires retailers of carpet products to comply with the provisions of the California Carpet Stewardship Program (a carpet recycling program), including but not limited to payment of the Carpet Stewardship Differential Assessment Level fees placed on all carpet brought into the state of California as follows:

- $0.56 - $0.58 per square yard (depending on amount of Post-Consumer Content) for Broadloom and $0.71 - $0.73 per square yard (depending on amount of Post-Consumer Content) for Carpet Tile.

These fees are effective as of April 1, 2023 and must be included as an after-tax line item on the customer invoice. See www.carpetrecovery.org/California for more details.

9. OUR WEBSITE (www.prosourcewholesale.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 & INNOVATION AT IT'S WEBSITE ADDRESS www.dfpi.ca.gov.

10. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

11. Pursuant to the California Usury Law and the California State Constitution, the highest interest rate allowable by law for loans which are not for personal, family or household purposes is the higher of 10% or 5% over the amount charged by the Federal Reserve Bank of San Francisco on advances to member banks on the 25th day of the month before the loan.

12. 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 OFFERING CIRCULAR AT LEAST 14 DAYS PRIOR TO THE EXECUTION OF ANY SUCH AGREEMENTS.

13. Neither the franchisor nor any person or franchise broker in Item 2 of the FDD 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.

14. For California franchisees only: Item 12 is hereby amended by deleting the second sentence of the first paragraph, in its entirety, and replacing it with the following:

The Area is defined on Exhibit A to the Franchise Agreement and will be delineated by zip codes and will initially contain a minimum population of 250,000 persons and a minimum of 1,250 targeted trade professionals. "Targeted trade professionals" for purposes of the preceding sentence shall mean builders, contractors, interior decorators, designers, remodelers, architects and such other trade professionals that would be prospective members of the franchised showroom.

15. Except as provided in subdivisions (c) and (d) of §31125 of the California Corporations Code, it is unlawful to solicit the agreement of a franchisee to a proposed material modification of an existing franchise without first delivering to the franchisee a written disclosure, in a form and containing information as the commissioner may by rule or order require, identifying the proposed modification, either five business days prior to the execution of any binding agreement by the franchisee to the modification or containing a statement that the franchisee may, by written notice mailed or delivered to the franchisor or a specified agent of the franchisor within not less than five business days following the execution of the agreement, rescind the agreement to the material modification.

16. **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.**

17. Special Risks to Consider About This Franchise:

Base Market Share and Protected Area. Subject to stated limitations in the franchise agreement, You are granted protection in Your designated geographic area. If You fail to meet or exceed the base market share as described in the franchise agreement, You will lose certain rights in your area. See Item 12.

Franchisor Affiliates. Some of ProSource's affiliates own and operate stores that sell floorcoverings and other products, some of which may be similar to the products You sell, and may compete with Your ProSource showroom.

Spousal Liability. Each of the owners of each franchisee and their respective spouses must sign a personal guaranty making such persons jointly and severally liable for the franchisee's obligations under the franchise agreement, which may place such person's personal assets at risk.

Compliance with Price Levels. To the extent implemented by ProSource in the future as permitted by applicable law, You must comply with any maximum and/or minimum price levels established by ProSource for products purchased directly from ProSource or any ProSource designated suppliers. This requirement may reduce your anticipated revenue and net income.

EXHIBIT G

RELEASE

THIS RELEASE ("Release") is entered into by and between _____, a _____ _____ ("Franchisee"), _____ ("Owner") and Leading Edge Marketing, Inc. ("LEMI").

WHEREAS, Franchisee is a ProSource franchisee of LEMI;

WHEREAS, Franchisee desires to borrow money from LEMI;

WHEREAS, LEMI will agree to loan Franchisee money pursuant to separate loan documents so long as Franchisee and Owner agree to release any and all claims they may have against LEMI; and

WHEREAS, Franchisee and Owner desire to execute this Release to facilitate Franchisee's borrowing of money from LEMI.

NOW, THEREFORE, in consideration of the premises stated above which are incorporated herein as if fully set forth below and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed as follows:

1. Release. For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Franchisee and Owner, on behalf of each of them and each of its shareholders, members, officers, directors, and anyone else claiming through either or both of them, hereby jointly and severally release and forever discharge LEMI, and its affiliates, parent, and subsidiaries, and each of their respective shareholders, members, officers, directors, attorneys, employees, and agents (herein the "Released Parties"), from and against any and all damages, liabilities, demands, debts, actions, claims, suits, costs, expenses, and attorneys' fees, whether known or unknown, contingent or certain (hereinafter collectively referred to as "Claims"), which Franchisee and/or Owner may have had, may now have or hereafter have against any or all of the Released Parties directly or indirectly arising out of or related to (i) Franchisee's ProSource Franchise(s), or (ii) any other act, omission, matter or state of facts existing between Franchisee and/or Owner on the one hand and any of the Released Parties on the other hand from the beginning of time through and including the date of this Release. Franchisee and Owner each represent and warrant to LEMI that neither of them have assigned any Claims that they have, may have had, or may have to any other person or entity.

2. Authority. Franchisee and Owner jointly and severally warrant and represent to LEMI that such party has full authority to enter into and execute this Release and when executed, this Release shall be a legally binding obligation on Franchisee and Owner enforceable in accordance with its terms and conditions.

3. Successors Bound. This Release is binding upon and shall inure to the parties hereto and their successors and assigns.

4. Choice of Law. This Release shall be governed in all respects by the laws of the State of Missouri.

IN WITNESS WHEREOF, the parties have signed this Release as of the day and year set forth below their respective signature.

Leading Edge Marketing, Inc. ("LEMI")	_____ ("Franchisee")
By_____	By_____
Title_____	Title_____
Date_____	Date_____

_____
"Owner"

STATE OF _____)
) SS.
COUNTY OF _____)

On this _____ day of _____, 20___, before me, a Notary Public in and for said State, personally appeared _____, _____ of _____, known to me to be the person who executed the within instrument on behalf of said company and acknowledged to me that ____ executed the same for the purpose therein stated.

_____
Notary Public

My Commission Expires:

STATE OF _____)
) SS.
COUNTY OF _____)

On this _____ day of _____, 20___, before me, a Notary Public in and for said State, personally appeared _____, known to me to be the person who executed the within instrument and acknowledged to me that _____ executed the same for the purpose therein stated.

_____
Notary Public

My Commission Expires:

SAMPLE PROMISSORY NOTE

$_____ _____, 20____

FOR VALUE RECEIVED, _____, and _____, jointly and severally ("Makers"), promise to pay to the order of Leading Edge Marketing, Inc. ("Company") the principal sum of _____ Dollars and _____/100 ($_____), together with interest thereon, as provided for in this Note.

Commencing on _____, 2017, and the first day of each calendar month thereafter, Makers shall make 60 equal monthly payments of $_____ each, including interest and principal; and, on _____, 2022, all principal and unpaid accrued interest thereon shall be due and payable, unless this Note has matured sooner in accordance with the terms and provisions of this Note.

This Note shall bear interest at a fixed rate equal to the Prime Rate published by the Wall Street Journal as of the date of this Note. After maturity or after a default by either or both Makers, interest shall accrue and be payable on this Note at a rate per annum equal to ten percent in excess of the Prime Rate as published in The Wall Street Journal from time to time. Under no circumstances shall the rate of interest charged, collected, or received on this Note exceed the maximum rate allowed by law. The amount of interest accruing hereunder shall be computed on an actual day, 360-day year basis.

All payments shall be made to Company at 4301 Earth City Expressway, St. Louis, Missouri 63045-1334, or to such other address as Company shall notify Makers in writing. All payments received by Company shall be applied first against accrued interest with the balance, if any, applied against principal. Makers may prepay without penalty all or any portion of this Note at any time, provided that Makers provide written notice to Company of such prepayment along with the prepayment.

Makers shall be deemed to be in default under this Note upon the occurrence of any one or more of the following events: (a) if Makers shall fail to make any required principal or interest payment on this Note as and when due, or (b) if Makers, or either of them, or any party or entity affiliated with them shall fail to observe and perform all obligations, covenants, and agreements in connection with its membership in ProSource Cooperative, Inc. or any franchise agreement with Leading Edge Marketing, Inc.; or (c) Makers, or either of them, shall file or have filed against Makers, or either of them, a petition in bankruptcy, reorganization or adjustment of debts or for other relief under the U.S. Bankruptcy Code or any other similar federal or state law affecting creditors' rights, or (d) if Makers, or either of them, shall make an assignment for the benefit of creditors; or (e) if any receiver, trustee or custodian is appointed for or on behalf of Makers, or either of them, to take possession of all or substantially all of the assets of Makers, or either of them; or (f) if Makers, or either of them, shall be unable to pay their debts as they mature; or (g) if Makers, or either of them, shall cease doing business as a going concern; or (h) if Makers, or either of them, shall be in default of any other promissory note, loan agreement, line of credit agreement, security agreement, deed of trust or mortgage or other agreement with Company, ProSource Cooperative, Inc. or any affiliate of Company or with any other lender.

Upon the occurrence of a default under this Note, the Company shall have all rights and remedies available to Company at law and in equity, and Company may declare a default and accelerate the unpaid principal balance of this Note, together with all unpaid accrued interest thereon, such that all outstanding principal and unpaid accrued interest shall become immediately due and payable. Company may also exercise any other rights and remedies available to Company hereunder or otherwise. No failure to exercise, or any delay in exercising, any right, remedy, power or privilege hereunder on the part of the Company shall

operate as a waiver thereof. No single or partial exercise of any right, remedy, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. All rights and remedies of Company herein provided are cumulative and may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law. All rights and remedies of Company herein provided may be exercised against either or both Makers, and the exercise of any rights or remedies against one Maker shall not constitute a waiver of Company's right to exercise any right or remedy against the other Maker.

If Makers, or either of them, are in default of this Note and if: (i) this Note is placed in the hands of an attorney for collection or enforcement, regardless of whether suit is filed against the Makers, or either of them, or regardless of whether it is collected or enforced through legal proceedings; (ii) an attorney is retained to represent the Company in any bankruptcy, reorganization, receivership or any other action or proceeding affecting creditors' rights and involving a claim under this Note; or (iii) an attorney is retained to protect or enforce the terms or conditions of this Note, then Makers, jointly and severally, shall pay to Company all reasonable attorneys' fees, costs and expenses incurred by Company in connection with the collection or enforcement of this Note, in addition to all other amounts due hereunder.

Presentment, demand for payment, dishonor, notice of dishonor, protest, and notice of protest are hereby waived by Makers. This Note shall be freely assignable by Company without the consent of Makers.

This Note shall be interpreted and governed in accordance with the laws of the State of Missouri, without regard to the laws of conflicts. Makers expressly and irrevocably submit to the jurisdiction of the courts of the State of Missouri, and the Federal District Court for the Eastern District of Missouri, with respect to all matters pertaining to or arising from the making, enforcement or collection of this Note, and specifically agree to be bound by any and all rulings and decisions of any such court. In the event that any term or provision of this Note is held or declared to be invalid or unenforceable by a court of competent jurisdiction, then such invalid or unenforceable term or provision shall be deemed to have never been a part of this Note and all other terms and provisions of this Note shall remain in full force and effect.

This Note and all other written agreements between one or more of the Makers and Company or between one or both Makers and ProSource Cooperative, Inc. constitute the entire agreement between the parties and there are no oral agreements between the parties. Said written agreements may only be amended by written amendments signed by the parties to be bound by such amendments. The following is added pursuant to Sections 432.045 and 432.047, R.S.Mo., as applicable, and as used below "borrower(s)" shall mean Makers and "creditor" shall mean Company:

> **"Oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt including promises to extend or renew such debt are not enforceable (if RSMo. 432.047 applies, then add: regardless of the legal theory upon which it is based that is in any way related to the credit agreement). To protect you (borrower(s)) and us (creditor) from misunderstanding or disappointment, any agreements we reach covering such matters are contained in this writing (and in any other written agreements as set forth in the preceding paragraph), which is the complete and exclusive statement of the agreement between us, except as we may later agree in writing to modify it."**

EXECUTED AS OF THE DAY AND DATE SET FORTH ABOVE.

"Makers":

_____

By: _____

Name, printed: _____

Title: _____

_____

_____, Individually

Exhibit H

COOPERATIVE MEMBER AGREEMENT

THIS COOPERATIVE MEMBER AGREEMENT ("***Agreement***") is entered into as of the _____ day of **_____ ,** 202___ by and between PROSOURCE COOPERATIVE, INC., a Delaware corporation ("***Cooperative***"), with a mailing address of 4301 Earth City Expressway, Earth City, Missouri 63045-1334, and

_____, a _____
("***Member***")
with a mailing address of:

_____.

The premises of this Agreement are as follows:

(i) Cooperative is a buying cooperative owned by its members;

(ii) Member operates (or soon will operate) a ProSource Wholesale® Showroom ("***Showroom***") located at _____ ("***Main Showroom***") pursuant to that certain Franchise Agreement by and between Member and Leading Edge Marketing, Inc. ("***Franchisor***") dated **_____** (the "***Franchise Agreement***"); and

(iii) Member desires to enter into this Agreement in order to: (i) become a member of Cooperative, governed by its Bylaws, (ii) purchase one share of common stock in Cooperative, and (iii) enjoy the benefits of membership in Cooperative, including but not limited to the right to acquire certain "Products" and become eligible for certain patronage dividends (as such term is hereinafter defined) through or from Cooperative.

NOW THEREFORE, in consideration of the foregoing premises, each of which shall be deemed incorporated into the Agreement as if more fully set forth below, and other good and valuable consideration, including the fees paid and to be paid hereunder, and the terms, provisions, covenants and conditions hereinafter set forth, the sufficiency of which is acknowledged by Member and Cooperative, Cooperative and Member agree as follows:

ARTICLE I
DEFINITIONS

In addition to those set forth throughout this Agreement, the following definitions shall apply for purposes of this Agreement:

Section 1.1 "***Cooperative Information***" means the concepts, ideas, know-how and structure of Cooperative, including, but not limited to, marketing methods and concepts, advertising materials (regardless of the communication medium used to create such advertising materials), Cooperative financial information (including without limitation, any and all financial statements, projections, reports, etc. with respect to any operation of the Cooperative, including revenues, expenses, patronage dividends, manufacturers rebates, minimum purchase requirements or any other matter), internal bulletins, correspondence, internal price information, product cross reference information, computer software and hardware developed by or in conjunction with Cooperative, price discount information, purchasing methods and programs, supply sources, packaging methods and operations, confidential information, training materials, benchmarking data and information, books, records, plans, designs, flow charts, drawings, copyrights, techniques, Marks, and any other materials relating to the idea, design, concept, management and operation of Cooperative and any and all modifications, improvements, additions and changes thereto.

Section 1.2 "***Core Products***" means all Products designated as "Core Products" by Franchisor or Cooperative from time to time.

Section 1.3 "***Effective Date***" means, unless otherwise designated by Cooperative, the date which is sixty (60) days prior to the opening day of the Main Showroom. In the event this Agreement is executed prior to the Effective Date, then Cooperative agrees to hold this document and such other documents executed in connection herewith, as determined by Cooperative, in trust until the Effective Date, on which date this Agreement will automatically be released from trust and made effective.

Section 1.4 "***Marks***" means all patents, copyrights, trade names, trademarks, service marks, logos, insignia, collective service marks, and collective trademarks now or in the future owned by or licensed by the Cooperative, and all modifications and enhancements thereto, whether registered or unregistered. Cooperative shall designate in writing any additional patents, copyrights, tradenames, trademarks, service marks, logos, insignia, collective service marks, and collective trademarks which constitute a Mark under this Agreement. Member acknowledges that the term "Marks" excludes all patents, copyrights, trade names, trademarks, service marks, logos, insignia, collective service marks, and collective trademarks which are governed by and subject to the Franchise Agreement.

Section 1.5 "***Member's Showrooms***" means, collectively, (i) the Main Showroom and (ii) all additional Showroom(s) owned and operated by Member under one or more franchise agreements with Franchisor, for which Member has executed an Additional Showroom Addendum, in the form set forth on Exhibit A, and for which Member has paid all requisite fees as set forth herein and therein ("***Additional Showrooms***"), if any.

Section 1.6 "***Products***" means (i) all types of floorcovering, including, but not limited to, carpet, hardwood, vinyl, laminate, and related items, and (ii) kitchen cabinets, bathroom cabinets, vanities, countertops, faucets, sinks, backsplashes, other plumbing fixtures, hardware, and related products and

accessories, all of which are made available by Cooperative, through negotiated arrangements with suppliers, for purchase by Member for offer, display and/or sale in Member's Showroom(s).

Section 1.7 "***Term***" means the term of this Agreement, including the Initial Term and all Renewal Terms, as applicable, as further described in Section 6.1 below.

ARTICLE II
MEMBERSHIP AND BENEFITS

Section 2.1 **Membership**. Member's membership in Cooperative shall be conditioned upon (i) Member being a franchisee of the Franchisor in good standing, (ii) Member being accepted by Cooperative as a member and (iii) Member satisfactorily complying with the following requirements:

(a) Member executing and returning this Agreement to Cooperative;

(b) Member paying to Cooperative a one-time membership fee of $2,499 ("***Membership Fee***");

(c) Member purchasing one (1) share of common stock in Cooperative by executing and returning the Subscription Agreement, in the form attached hereto as Exhibit B, and paying to Cooperative the stock purchase price of $1.00 ("***Stock Purchase Fee***"); and

(d) Member complying with all other requirements set forth in this Agreement and paying any other required fees.

Unless and until Member satisfactorily completes each of the foregoing, this Agreement shall not be effective, and Member shall have no rights under this Agreement. On the Effective Date, and provided that Member has then satisfied all of the foregoing requirements of membership, Member shall be granted membership in the Cooperative, and shall be entitled to purchase Products through or from Cooperative. Payment of the Stock Purchase Fee and execution of the Subscription Agreement entitles Member to one (1) share of stock in Cooperative. As more fully described in the Bylaws of Cooperative, no Member may own more than one (1) share of stock in Cooperative. The common stock of Cooperative must be held by and in the name of the same party or entity that is the franchisee in the Franchise Agreement, unless otherwise agreed to by Cooperative, in its sole discretion. No person or entity may become a member in Cooperative if such person or entity is directly or indirectly owned or controlled by an existing Member in the Cooperative. For avoidance of doubt, the addition of an Additional Showroom to this Agreement shall not entitle the Member to additional shares of stock, regardless of the entity named as the franchisee in the applicable franchise agreement. Only persons or entities operating a ProSource franchise pursuant to an effective franchise agreement with Franchisor are eligible to be members of Cooperative, and the termination of such franchise will result in immediate loss of membership of and stock ownership in the Cooperative without separate action by Cooperative or separate notice to Member. All of Member's rights hereunder are for use only in Member's Showrooms and shall not be used by Member for any other business enterprise of Member.

Section 2.2 **Benefits Made Available by Cooperative; Patronage Dividends**. Cooperative may from time to time: (a) provide access to certain Products (the prices of such Products shall be as determined from time to time by Cooperative or Cooperative's authorized source or manufacturer, in their sole judgment and discretion); (b) negotiate agreements with suppliers of Products including negotiating discounts, allowances, special services and/or rebates for the benefit of members from such suppliers; (c) pay Member a patronage dividend as described below, and (d) provide such programs, if any, as it

determines from time to time in its discretion. In addition, subject to the Franchise Agreement being changed in the future, membership in the Cooperative, along with satisfaction of certain other conditions, may entitle Member to enjoy a discount in the royalty rate paid to Franchisor pursuant to the Franchise Agreement.

As a Member of Cooperative, Member is entitled to receive patronage dividends based upon the quantity or value of the Cooperative's business which is done with or for Member during the Cooperative's fiscal year in accordance with Cooperative's standard procedures for paying patronage dividends to Cooperative's members, as determined from time to time by the Board of Directors of Cooperative. The total amount of patronage dividends paid by Cooperative to its members in any fiscal year is based upon the patronage-sourced income of the Cooperative. Each year, the Board of Directors of the Cooperative will determine the specific portion of the total amount of patronage sourced income that will be paid out in such year as patronage dividends, if any.

Section 2.3 **License**. During the Term (defined below), and subject to the consent of the Franchisor (when applicable), Cooperative hereby grants Member a nonexclusive license to use the Marks on or in connection with the operations of Member's Showrooms for the Term of this Agreement. Any and all Marks developed by or owned by Cooperative in the future which are licensed to Member shall be governed by and subject to this Agreement, provided Cooperative may impose additional conditions and/or fees in its discretion related to such additional Marks.

Section 2.4 **Fees Non-Refundable**. Except as provided for in this Agreement and/or Cooperative's Bylaws, all fees paid by Member to Cooperative are non-refundable.

Section 2.5 **Membership Subject to Bylaws**. Member acknowledges and agrees that Member has been provided with a copy of the Bylaws of Cooperative. Member further acknowledges and agrees that this Agreement and Member's membership in Cooperative is subject to such Bylaws, as they exist now, and as they may be amended, restated or otherwise modified by Cooperative from time to time (as they currently exist and as they may be amended, restated or modified, the "***Bylaws***").

ARTICLE III
PROPRIETARY RIGHTS

Section 3.1 **Cooperative's Proprietary Rights**. Member acknowledges and agrees that the Cooperative Information (including without limitation, the Marks) is the sole and exclusive property of Cooperative. For the purpose of ownership of any Marks which may be developed, any use thereof by Member shall inure to the benefit of Cooperative. Upon request of Cooperative, Member agrees from time to time to execute any and all documents, in such form as provided by Cooperative, acknowledging Cooperative's ownership of the Cooperative Information (including the Marks, if any), without separate compensation therefor.

Section 3.2 **Confidentiality and Non-Disclosure**. Member acknowledges and agrees that: (i) Cooperative Information is the sole and exclusive property of Cooperative, and (ii) all Cooperative Information constitutes know-how and/or trade secrets and/or proprietary information and is and shall remain confidential and shall not be disclosed, used or made use of in any manner whatsoever, directly and/or indirectly, except pursuant to the express terms of this Agreement. Member shall cause all of Member's officers, directors, partners, agents, employees and/or related companies to comply with the provisions of this Section 3.2, and Member shall be liable for the breach of this Section by any of such

persons. Member's covenant not to disclose nor use Cooperative Information as set forth in this Section 3.2 shall survive the termination of this Agreement, if any, regardless of the reason or cause of such termination. Member agrees not to contest nor dispute the proprietary interest of Cooperative in any or all of the Cooperative Information. Member acknowledges and agrees that Member has acquired no right, title or interest whatsoever in any or all of the Cooperative Information, except for the terminable membership rights set forth herein and on the express conditions described herein. Member shall not take any action nor omit to take any action which would directly and/or indirectly interfere with or invalidate Cooperative's ownership of or interest in any or all of the Cooperative Information.

Section 3.2 **Duty to Maintain Quality**. Member shall not allow the quality, workmanship, content or any other facet or element of any or all of the Cooperative Information to be changed or modified in any way. In order to preserve Cooperative's proprietary interest in all of the Cooperative Information and the integrity, goodwill and quality thereof, Member shall promote, publicize, advertise and conduct the operation of Member's Showrooms in a first-class and quality manner and according to the highest standards of integrity in the floorcovering, kitchen and bath, and advertising industries.

Section 3.3 **Cooperative's Right of Inspection**. In order to ascertain or determine Member's compliance with the terms and provisions of this Agreement, which compliance is important to the success of the Cooperative, Member shall permit duly authorized representatives of Cooperative to inspect Member's Showrooms, and if necessary audit such Member's Showrooms, at all reasonable times. If an audit is deemed necessary, any and all costs and expenses of such audit shall be borne exclusively by Cooperative unless (i) such audit must be rescheduled due to Member's lack of preparation and/or condition of Member's financial books and records, in which event Member shall be charged for the expenses of any follow-up visit(s) including the actual costs of the audit; or (ii) such audit establishes Member's failure to comply with any obligations imposed upon the members, including but not limited to the minimum purchase requirements set forth in the Bylaws or this Agreement, in which event Member shall bear all of the costs of such audit.

ARTICLE IV
PARTICIPATION OF MEMBER

Section 4.1 **Member's Duties**. Member understands that the success of the Cooperative, and the benefits receivable by Member, are dependent upon each Cooperative member's full participation and support of the Cooperative and in furtherance thereof, Member, acting in good faith, shall:

(a) actively promote and support the sale and distribution of Products;

(b) operate Member's business in a first-class and quality manner in accordance with the highest standards of the floorcovering, advertising, and kitchen and bath industries;

(c) abide by and be bound by the Cooperative's Articles of Incorporation, Bylaws and policies, as they are now in force and as they may be hereafter amended or adopted, including, but not limited to, the purchase requirements, reporting requirements and insurance requirements set forth herein and further in the Bylaws;

(d) maintain Member's status as a ProSource franchisee in good standing under the Franchise Agreement; and

(e) immediately give Cooperative notice of any event which with or without notice and the passage of time would result in termination of Member's rights under this Agreement pursuant to Article VI of this Agreement.

Section 4.2 **Payment of Cooperative's Invoices**. Member shall timely pay all invoices of Cooperative in accordance with the terms set forth therein. All invoices shall be paid to Cooperative at 4301 Earth City Expressway, St. Louis, Missouri 63045-1334, or such other addresses or in such manner (including by ACH transfer) as Cooperative shall specify.

Section 4.3 **Payment for Orders; Late Payment Charge**. Member shall be responsible for the payment of all orders placed by Member whether or not payment for any such order is due after the termination of Member's rights under this Agreement. Cooperative shall be entitled to a late payment charge of the lesser of one and one-half percent (1.5%) per month or the maximum interest rate allowed by law for all late payments of any obligation or invoice payable to Cooperative. Member shall not use Member's accrued patronage dividends, if any, to offset payment of any obligations or invoices payable to Cooperative, except with the prior written consent of Cooperative, whose consent may be unreasonably withheld. Cooperative shall be entitled to recover from Member all attorneys' fees incurred by Cooperative in connection with any attempts by Cooperative to collect any past due obligations from Member.

Section 4.4 **Cooperative's Right to Retain Dividends if Member is Delinquent**. If Member is late in paying any of Member's obligations to Cooperative and/or Franchisor, Cooperative shall have the right to retain from the patronage dividends payable to Member an amount equal to the greater of (i) Five Thousand Dollars ($5,000.00), or (ii) twice the sum of the aggregate amount of the obligations which Member was late in paying to Cooperative and/or Franchisor during the preceding twelve-month period (hereinafter such retained amount is referred to as "***Retained Dividends***").

The Retained Dividends shall be held by Cooperative and may be applied by Cooperative to any obligations of Member to Cooperative not timely paid or paid to Franchisor on behalf of Member as payment of any past due obligations of Member to Franchisor, until Member has not been in arrears in any of Member's obligations to Cooperative and/or Franchisor for twelve (12) consecutive months. The rights granted Cooperative pursuant to the immediately preceding sentence may be exercised as often as necessary, and in the event any portion of the Retained Dividends is applied to Member's obligations to Cooperative, or paid to Franchisor, then Cooperative shall be entitled to retain from the accrued patronage dividends which thereafter become payable to Member such additional amounts as are sufficient to either restore the Retained Dividends to its original amount or to such greater amount as Cooperative is entitled to retain pursuant to this Section 4.4 due to Member's failure to satisfy Member's obligations to Cooperative and/or Franchisor. Any patronage dividends so retained by Cooperative and used to pay Member's obligations to Cooperative and/or Franchisor shall nullify any obligation of Cooperative to pay Member any part or all of such patronage dividends except as set forth herein. Member hereby agrees to reimburse Cooperative for any increase in Cooperative's income taxes resulting from retention of any of Member's patronage dividends pursuant to this Section 4.4.

Section 4.5 **Minimum Purchase Requirements**. As part of Member's duties under Section 4.1(c) above, Member shall comply with the minimum purchase and reporting requirements as set forth in the

Bylaws. The right of Cooperative to audit the books and records of Member to ensure compliance with this Section shall be as set forth in the Bylaws.

Section 4.6 **Consent to Written Notices of Allocation**. Member hereby acknowledges that Member consents, solely by the act of becoming or continuing as a Member of Cooperative, that the amount of any distributions with respect to Member's patronage which are made in written notices of allocation (as defined in Section 1388 of the Internal Revenue Code of 1986, as amended) received by Member from Cooperative will be taken into account by Member at their stated dollar amounts in the manner provided in Section 1385(a) of the Internal Revenue Code of 1986, as amended, in the taxable year in which such written notices of allocation are received by Member.

Section 4.7 **Consent to Cooperative Receiving Purchase Information**. For the purpose of verification of the Member's compliance with Section 4.5 above and to ensure Member's compliance with Section 8.2 below, Member consents to Cooperative receiving from those manufacturers and suppliers with whom Cooperative negotiates agreements/arrangements for Products on behalf of members copies of all of Member's purchase information from such manufacturers and suppliers. This Section 4.7 shall serve as Member's written permission for any such manufacturer/supplier to release to Cooperative all of such manufacturer's/supplier's records regarding Member's purchases of Products, including both purchases of Products through the Cooperative as well as purchases of Products not through the Cooperative. This consent shall be self-executing and Cooperative may show any such manufacturer/supplier this specific provision in order to gain access to Member's purchase information from any such manufacturer/supplier.

ARTICLE V
ACCELERATION OF INDEBTEDNESS

Section 5.1 If: (i) at any time Cooperative determines, in its reasonable business judgment, that Member is unable or unwilling to pay Cooperative any amount owed to Cooperative pursuant to this Agreement, the Bylaws, or otherwise, as such amount becomes due, and/or (ii) Member does not pay any such amount in full, when due, then Cooperative, may, upon notice to Member, accelerate the payment date of all such amounts due and to become due, whether under this Agreement, the Bylaws, or otherwise.

ARTICLE VI
TERMINATION

Section 6.1 **Term**. Subject to earlier termination as provided herein, the term of this Agreement shall commence on the Effective Date and shall continue for a period of five (5) years ("***Initial Term***"). Thereafter, this Agreement shall automatically renew for successive terms of two (2) years each (each, a "***Renewal Term***"), unless either party notifies the other party in writing of its desire to terminate this Agreement at least three months prior to the end of the Initial Term or any Renewal Term, as the case may be, in compliance with the Bylaws. Provided, however, that the Term of this Agreement may not, under any circumstances, extend beyond the term of the Franchise Agreement(s). Notwithstanding the foregoing, Member may resign at any time by providing Cooperative with written notice thereof in compliance with the Bylaws, paying any and all outstanding amounts due Cooperative through the effective date of resignation and complying fully with this Agreement.

Section 6.2 **Termination Without Notice.** All of Member's rights under this Agreement shall automatically terminate without notice from Cooperative and without any right to cure pursuant to Cooperative's Bylaws upon any of the following events:

(a) Member gives Cooperative advance written notice in compliance with the Bylaws that Member desires to terminate this Agreement;

(b) Termination of the franchise agreements between Member and Franchisor with respect to all of Member's Showrooms; or

(c) Member (i) executes an assignment for the benefit of its creditors, (ii) becomes or is adjudicated bankrupt or insolvent, (iii) applies for or consents to the appointment of a receiver, trustee or liquidator for all or a substantial part of its assets, (iv) files a voluntary petition seeking reorganization or an arrangement with creditors or to take advantage of or seek any other relief under any bankruptcy, reorganization, or other insolvency law, or (v) has a petition filed against Member seeking reorganization of Member or the appointment of a receiver, trustee or liquidator of Member.

Section 6.2 **Termination with Notice**. Member's rights under this Agreement shall be subject to termination by Cooperative in accordance with the termination procedure set forth in the Cooperative's Bylaws, which provides for notice and an opportunity to cure (except with respect to any breach for which there is no right to cure as expressly set forth in the Member Agreement and/or Bylaws), as a result of the occurrence of any of the following:

(a) The failure by Member to strictly and timely comply with any or all of the terms and provisions of this Agreement, the Bylaws or the policies of the Cooperative;

(b) The failure by Member to pay any obligation payable to Cooperative as and when due, time being a material term and of the essence;

(c) Cooperative, in its reasonable business judgment, determines that any conduct of Member is detrimental to the prestige and/or reputation of Cooperative, Franchisor or the Marks;

(d) Member being in default in the payment to any of Member's suppliers, or Member being in default in the repayment of a loan to any bank or other commercial lender;

(e) Member filing any lawsuit or commencing any administrative proceeding against Cooperative or Franchisor; or

(f) Any attempt by Member to sell, transfer or assign its Membership in the Cooperative, Member's stock in the Cooperative, or Member's rights and interests in and to any licenses, permits, leases, and agreements between the Cooperative and Member, without the consent of Cooperative; it being understood that there is no notice and opportunity to cure for this breach.

Section 6.3 **Duty of Member Following Termination**. Upon termination or resignation of Member's membership in Cooperative, Member shall immediately return to the Cooperative the

certificate representing Member's one (1) share of stock in the Cooperative in accordance with the Bylaws and Member shall comply with all post-termination obligations set forth in the Bylaws.

The obligations of Member under this Agreement and the Bylaws shall survive the termination of Member's membership and continue to be legally binding obligations upon Member until fully and completely performed. Upon termination of Member's rights under this Agreement, in the manner specified, and subject to the conditions specified, in the Bylaws, the Cooperative shall pay Member all of Member's accrued, but unpaid patronage dividends if any, earned through the date of termination, pursuant to its then-current timing and practices, subject to the Cooperative's right to offset such amount of accrued but unpaid patronage dividends against any outstanding obligations of Member to Cooperative and its affiliates.

ARTICLE VII
LIMITATIONS ON COMPANY'S LIABILITY AND DISCLAIMER OF LIABILITY

Section 7.1 Cooperative's Disclaimer of Warranties and Liabilities. **MEMBER UNDERSTANDS AND ACKNOWLEDGES THAT WHILE THE COOPERATIVE, ON ITS OWN, AND THROUGH FRANCHISOR, IS PROVIDING BUYING ASSISTANCE WITH RESPECT TO PRODUCTS AND SPECIFICALLY IN THE SELECTION OF PRODUCTS AND NEGOTIATING OF PRICING FOR SUCH PRODUCTS, THE COOPERATIVE IS NOT THE MANUFACTURER OF THE PRODUCTS. THE ONLY WARRANTY WITH RESPECT TO THE PRODUCTS SOLD BY OR THROUGH COOPERATIVE IS THAT OF THE PRODUCTS' MANUFACTURER(S), IF ANY. COOPERATIVE SELLS, AND ARRANGES FOR THE SALE OF, THE PRODUCTS IN "AS IS" AND PRESENT CONDITION, AND WITHOUT WARRANTY OF ANY KIND. FURTHERMORE, COOPERATIVE HEREBY DISCLAIMS ANY AND ALL WARRANTIES, EXPRESS AND/OR IMPLIED BY LAW OR OTHERWISE, REGARDING THE CONDITION, WORKMANSHIP, MERCHANTABILITY AND FITNESS OF THE PRODUCTS FOR ANY PARTICULAR USE OR PURPOSE. UNDER NO CIRCUMSTANCES SHALL COOPERATIVE, OR FRANCHISOR AND/OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS AND EMPLOYEES BE RESPONSIBLE AND/OR LIABLE TO MEMBER OR ANY OTHER PERSON OR ENTITY FOR ANY AND ALL DAMAGES, CONSEQUENTIAL DAMAGES, LOSS OF PROFITS, LOSSES, EXPENSES, INTEREST, DEBTS, DUES, TAXES, FINES, INJURIES, LIABILITIES, ASSESSMENTS, COSTS, EVENTS, CLAIMS, ACTIONS, LAWSUITS, ATTORNEYS' FEES, OR ANY OTHER LOSS OR DAMAGE ARISING DIRECTLY AND/OR INDIRECTLY FROM THE PRODUCTS AND/OR THE USE OF THE PRODUCTS.**

Section 7.2 Cooperative Not Liable for Delays. The Cooperative shall not be liable for any delay in the delivery or shipment of Products, or in the performance of any of Cooperative's obligations hereunder, or for any damages suffered by the Member by reason of any such delay(s).

Section 7.3 Member's Indemnity. In order to protect the Cooperative from Member's actions or inactions that are separate and apart from the actions or inactions of the Cooperative, Member releases and shall indemnify and hold Cooperative and its affiliates and their respective officers, directors, employees, agents, shareholders, attorneys and agents (the "***Indemnified Parties***") harmless from and against, and shall reimburse the Indemnified Parties for, any and all claims, demands, losses, damages,

judgments, orders, decrees, actions, lawsuits, proceedings, costs, liabilities and expenses (including, but not limited to, reasonable attorneys' fees and costs of suit) of whatever kind or character ("***Claims***"), on account of any actual or alleged loss, injury or damage to any person, firm, or corporation, or to any property, arising out of or in connection with: (i) the acts, errors or omissions of Member and/or Member's owners, employees, officers, directors, agents, independent contractors, licensees, invitees, "showroom members," or any of them, (ii) the operation or condition of Member's Showrooms or the site on which it (they) is (are) located; (iii) the violation or breach by Member of any law, ordinance, regulation, rule, or order, including, without limitation, those governing or related to labor or employment relations, environmental matters or violations of data or privacy protection; (iv) libel, slander or any other form of defamation of the Indemnified Parties, the Marks or any other member by Member or any of Member's owners or employees; (v) the breach by Member of this Agreement, the Bylaws or any other agreement with Cooperative and/or Franchisor; (vi) any acts, errors or omissions of Member or any third party with whom Member may contract; (vii) any claim of infringement of a third party's patent, trademark, copyright or other intellectual property rights attributable to Member's actions; or (viii) the exercise or purported exercise by Member of Member's rights hereunder, except the foregoing does not apply to (a) Claims caused by Cooperative's gross negligence as determined by a court of competent jurisdiction, or (b) the gross negligence of Cooperative's employees, agents, or independent contractors as determined by a court of competent jurisdiction. This indemnification shall continue and be enforceable notwithstanding the expiration or other termination of Member's Membership for any reason whatsoever and shall include and cover any and all costs of defense, including attorneys' fees. The Indemnified Parties do not assume any liability whatsoever for acts, errors, or omissions of those with whom Member may contract.

ARTICLE VIII
STATUS OF PARTIES

Section 8.1 Member is a purchaser of goods from or through Cooperative and owns, operates, maintains, and controls Member's ProSource® franchise business independently of, but as a member of, Cooperative. Member warrants and represents that Member has the business experience and expertise required to operate Member's ProSource franchise in a profitable manner, and that Member has had the opportunity to retain legal counsel to review and explain this Agreement to Member. Member acknowledges that Member understands that this Agreement is legally binding. Member further warrants and represents that Member will not be dependent upon or rely upon the expertise of Cooperative to avoid making business mistakes that Member otherwise might make. The relationship created by this Agreement shall not be construed as a partnership, joint venture, franchise or employment contract. Member and Member's agents or employees shall have no authority, and shall make no attempt, to act on Cooperative's behalf or in the name of Cooperative. Member further acknowledges that one of the primary functions of Cooperative is to act on behalf of its members in negotiating contracts with manufacturers and suppliers of Products and that when Cooperative engages in such activities, Cooperative will be acting as Member's agent and on behalf of all members of Cooperative as a group. Member has entered into this Agreement in large part due to Cooperative's expertise in negotiating for products, arrangements, incentives, and proprietary brands with manufacturers and suppliers of Products. Member acknowledges that Member receives a direct benefit from Cooperative's expertise and experience in the floorcovering and kitchen and bath industries and through the relationships Cooperative has developed with manufacturers/suppliers in them.

Section 8.2 Member recognizes and agrees that, subject to Member's minimum purchase requirement, while Member is free to purchase Products from any source, if Member purchases a Product for which Cooperative has negotiated an agreement/arrangement with a manufacturer/supplier of such Product for the benefit of all members of the Cooperative (a "***Negotiated Product***"), Member must purchase such Negotiated Product only through the negotiated agreement/arrangement reached by Cooperative. Member shall not purchase, either directly or indirectly by Member joining, affiliating with, or participating in, a buying group, cooperative, or other entity or organization, such Negotiated Product from such manufacturer/supplier pursuant to a separate agreement/arrangement reached between Member (or such buying group, cooperative, or other entity or organization) and such manufacturer/supplier. Furthermore, Member may not circumvent the foregoing provision by: (i) purchasing, either directly or indirectly, a product substantially similar to a Negotiated Product from the manufacturer/supplier with whom the Cooperative has an agreement/arrangement with respect to the Negotiated Product for the benefit of all members of the Cooperative, or (ii) directly or indirectly purchasing products from manufacturer/suppliers that are substantially similar to Negotiated Products.

ARTICLE IX
NOTICES

Section 9.1 Any and all notices required or desired pursuant to this Agreement shall be in writing and shall be personally delivered, or sent by United States Mail, registered or certified, return receipt requested, postage fully prepaid, or via overnight courier and addressed as follows:

Notices to Cooperative: ProSource Cooperative, Inc.
Attention: President
4301 Earth City Expressway
St. Louis, Missouri 63045-1334

With a Copy to: CCA Global Partners, Inc.
Attention: In-house Counsel
4301 Earth City Expressway
St. Louis, Missouri 63045-1334

Notices to Member: To the primary owner on file with the Cooperative at the Main Showroom address. In all events, Cooperative shall be entitled to rely upon the last known business address for Member appearing in Cooperative's books and records.

In the event of a strike or delay in the United States Postal System, all notices shall be emailed to Cooperative at legalnotices@ccaglobal.com, and emailed to Member at the email address on file at the Cooperative or personally delivered.

Any party hereto shall have the right from time to time to change the person, entity or address designated for notices by giving written notice of any such change in the manner provided for herein at least ten (10) days prior to the effective date of the change of person, entity, or address. All notices shall be deemed delivered when personally delivered, the next business day when sent by overnight carrier for delivery, or the third business day after deposited in the United States Mail as provided above, with postage fully prepaid, as the case may be. Notices may be given to a party's attorney of record on behalf of such party.

Notices shall be deemed delivered even if Member refuses to accept service of delivery. Notwithstanding anything to the contrary in this Section 9.1, notice shall be deemed given if it is received by the party to whom it is addressed, even if such notice is not sent to the address for such party required by this Section.

ARTICLE X
STOCK OF COOPERATIVE; RESTRICTIONS ON TRANSFER

Section 10.1. No Transfer without Consent. No Member shall make a gift of all or any portion of the common stock of the Cooperative owned by Member, nor shall a Member sell, transfer, pledge, hypothecate, or otherwise dispose of all or any portion of said common stock in the absence of the prior written consent of the Cooperative, which may be withheld in its sole discretion. Member's stock shall be further subject to those transfer restrictions and other requirements of transfer set forth in the Bylaws.

Section 10.2. Non-registered Stock. MEMBER ACKNOWLEDGES AND UNDERSTANDS THAT (i) THE SHARE REPRESENTED BY MEMBER'S STOCK CERTIFICATE HAS NOT BEEN REGISTERED OR QUALIFIED UNDER THE FEDERAL SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE, AND (ii) THE SHARE REPRESENTED BY MEMBER'S STOCK CERTIFICATE AND THE RIGHT TO TRANSFER SAID SHARE IS SUBJECT TO RESTRICTIONS ON TRANSFER CONTAINED IN THE BYLAWS OF COOPERATIVE AND THIS AGREEMENT AND IS NOT TRANSFERABLE EXCEPT AS PROVIDED IN SAID BYLAWS AND THIS AGREEMENT. MEMBER FURTHER AGREES AND ACKNOWLEDGES THAT MEMBER'S SHARE OF STOCK CANNOT APPRECIATE IN VALUE.

ARTICLE XI
ASSIGNMENT

Section 11.1 No Assignment by Member. The rights, obligations, benefits and burdens of Member under this Agreement are personal to Member and are non-assignable and nontransferable. Any such assignment by Member shall automatically be null and void.

Section 11.2 Assignment by Cooperative. The rights, obligations and benefits of Cooperative under this Agreement are assignable in whole or in part without notice.

ARTICLE XII
REMEDIES

Section 12.1. Specific Performance and Injunctive Relief. Member acknowledges that the failure by Member to comply with, observe, and perform any and all of Member's obligations and covenants contained in this Agreement will cause permanent and irreparable harm to Cooperative for which no adequate remedy at law is available. Notwithstanding anything to the contrary herein, if Member fails to comply with any such covenants and obligations, then this Agreement may be enforced by specific performance and/or injunctive relief upon application to any court having jurisdiction over such matter. The remedies of specific performance and/or injunctive relief shall be cumulative and in addition to any other legal or equitable remedies Cooperative may have.

Section 12.2 **Attorneys' Fees**. Member agrees to reimburse and pay Cooperative for any and all attorneys' fees, court costs and other expenses incurred by Cooperative in enforcing its rights pursuant to this Agreement regardless of whether or not legal proceedings are commenced.

ARTICLE XIII
NON-EXCLUSIVE

Section 13.1 This Agreement, including Exhibits A, B, and C attached hereto, does not and shall not be construed to limit in any manner whatsoever Cooperative's right to grant to any other ProSource franchisee, now or in the future, as a member, the right to purchase Products by or through Cooperative, or any part thereof, upon such terms and conditions as Cooperative in Cooperative's sole judgment and discretion shall determine.

ARTICLE XIV
MISCELLANEOUS

Section 14.1 **Governing Law; Venue.** This Agreement shall be governed in its construction and validity by the internal laws of the State of Missouri without regard to the law of conflicts. Member and Cooperative agree that the exclusive venue and jurisdiction for all actions instituted by Cooperative and/or Member hereunder shall be vested in the Circuit Court of St. Louis County, Missouri and/or the federal District Court for the Eastern District of Missouri. This Agreement shall not be effective until Member has signed this Agreement and complied with all other applicable requirements, the Agreement is returned to Cooperative in St. Louis, Missouri, and signed by an officer of Cooperative.

Section 14.2 **Invalid Provisions; Severability.** If any provision of this Agreement is held to be illegal, invalid or unenforceable, such provision shall be fully severable from the remainder of this Agreement, and the remainder of this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never been a part of this Agreement. Invalidity of a provision in one jurisdiction shall not affect the validity and enforceability of such provision in any other jurisdiction.

Section 14.3 **Entire Agreement.** This Agreement, including Exhibits A, B, and C attached hereto (each of which is incorporated in this Agreement by reference as amended from time to time) and the Bylaws collectively embody the entire agreement and understanding between the parties relating to the subject matter hereof, supersedes all prior agreements and understandings between the parties, and, except as set forth in this Agreement, may be amended only by an instrument in writing executed by the parties hereto.

Section 14.4 **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective heirs, successors and permitted assigns. Notwithstanding the foregoing, this Agreement may be assigned only in accordance with Article XI above. This Agreement shall be binding on Cooperative only after signed by Cooperative. Upon signing, Cooperative will provide Member with a fully signed copy.

Section 14.5 **Member's Representations and Warranties.** Member hereby represents, warrants and covenants that Member has full authority to enter into an fulfill all of the terms and conditions hereof and when executed, this Agreement shall be a binding obligation of Member, enforceable in accordance with its terms.

Section 14.6 **Acknowledgement and Waiver of Conflicts**. Member has entered into this Agreement in part due to Cooperative's expertise and buying leverage in negotiating contracts and arrangements with manufacturers and suppliers of Products, but Member understands and agrees that the opportunities made available to Member may not be the best "deal" that would be available to Member if only Member's needs and considerations were taken into account but are provided taking into account the needs and goals of the Cooperative and all of the members as a whole. Member acknowledges that Member receives a direct benefit from Cooperative's expertise and experience in the industry and through the relationships Cooperative has developed with manufacturers/suppliers in the industry. Member acknowledges that Cooperative's day-to-day operations are managed by Franchisor pursuant to a Management Agreement between Franchisor and Cooperative, and Cooperative pays Franchisor a management fee for such services.

Section 14.7 **Confidentiality of Agreement.** This Agreement is highly confidential, proprietary, and is the property of Cooperative. This Agreement is protected by the Uniform Trade Secrets Act and the copyright laws of the United States, various states, and other countries and is not to be disclosed without the written consent of Cooperative.

Section 14.8 **Counterparts; Electronic Signatures**. This Agreement may be signed in counterparts, all when taken together shall be deemed one document. Electronically signed, or manually signed and electronically submitted signature pages to this Agreement shall have the same force and effect as an originally executed signature page.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date set forth above.

MEMBER:

_____

By:_____

Name:_____

Title:_____

PROSOURCE COOPERATIVE, INC.

By:_____
Robert M. Wilson, Assistant Secretary

EXHIBIT A

ADDITIONAL SHOWROOM ADDENDUM

This Additional Showroom Addendum ("***Addendum***") is attached to and a part of that certain Member Agreement between Cooperative and the undersigned Member. Member desires to add another ProSource Showroom to be covered by the Member Agreement so that Member may purchase Products through the Cooperative for the Additional Showroom Location specified below.

Additional Showroom Address: _____

_____

_____

_____

Owner of Additional Showroom: _____

List Owners and Percentages of Ownership of Owner of Additional Showroom:

Name:	Percentage of Ownership
_____	_____
_____	_____
_____	_____

Member agrees that all of Member's rights, duties and obligations specified in the Member Agreement will apply equally to Member's operations at the Additional Showroom Location. Member shall pay Cooperative the then current "Additional Showroom Administrative Fee," which as of the date hereof is $250 upon execution of this Agreement. Member agrees that Member will not obtain any additional stock in Cooperative or any additional voting rights in Cooperative.

This Addendum is part of and incorporated into that certain Member Agreement between the parties below.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Member agrees and acknowledges that this Addendum must be completed and the then current Additional Showroom Administrative Fee must be paid each time another Additional Showroom is added.

_____
Member Name

By _____

Title _____

Date _____

ProSource Cooperative, Inc.

By _____
Robert M. Wilson, Assistant Secretary

Date _____

EXHIBIT B

PROSOURCE COOPERATIVE, INC.

MEMBER'S SUBSCRIPTION AGREEMENT

FROM: _____
(hereinafter called "***Member***").

TO: PROSOURCE COOPERATIVE, INC., a Delaware corporation, having its principal office at 4301 Earth City Expressway, St. Louis, Missouri 63045-1334 (hereinafter called "***Cooperative***").

1. Member subscribes for and agrees to purchase one (1) share of the Class A Common Stock of Cooperative having a par value of One Dollar ($1.00) per share pursuant to the terms hereof. Payment for one (1) share shall be in the amount of One Dollar ($1.00), which is payable upon tender of the Subscription Agreement to Cooperative.

2. Member agrees to abide by and be bound by the Cooperative's Articles of Incorporation, the Cooperative's Bylaws, the Member Agreement ("***Member Agreement***"), to which a copy of this Subscription Agreement is attached and the policies of Cooperative, as are now in force or as hereafter amended or adopted.

3. Simultaneously with the Member's execution of the Subscription Agreement, Member shall also (i) enter into and execute the Member Agreement; (ii) pay the subscription price for the one (1) share of Class A Common Stock of Cooperative to be purchased, if not previously paid; and (iii) pay any additional fees which may be due and payable pursuant to the Member Agreement.

4. Member agrees to supply Cooperative with any and all financial information and other documents requested by Cooperative.

5. The provisions of this Subscription Agreement shall inure to and be binding upon the parties hereto and their heirs and successors. This Agreement is governed by Missouri law.

6. MEMBER ACKNOWLEDGES AND UNDERSTANDS THAT: (i) THE SHARE REPRESENTED BY MEMBER'S STOCK CERTIFICATE HAS NOT BEEN REGISTERED OR QUALIFIED UNDER THE FEDERAL SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE, AND (ii) THE SHARE REPRESENTED BY MEMBER'S STOCK CERTIFICATE AND THE RIGHT TO TRANSFER SAID SHARE IS SUBJECT TO RESTRICTIONS ON TRANSFER CONTAINED IN THE BYLAWS OF COOPERATIVE AND A CERTAIN MEMBER AGREEMENT BETWEEN MEMBER AND COOPERATIVE, AND IS NOT TRANSFERABLE EXCEPT AS PROVIDED IN SAID BYLAWS AND SAID AGREEMENT.

This Subscription Agreement is dated this _____ day of _____, 202___.

_____
(Name of Business)

By:_____

Name, Title:_____

Main Store Location for Member

_____
_____
_____

EXHIBIT C

CORE PRODUCTS LIST

See the ProSource ProSpec Book for current listing, as amended from time to time.

EXHIBIT I

ProSource WHOLESALE
Products & Pros for Home & Commercial Projects

CERTIFICATION
(To be signed by all persons owning stock, partnership, membership or other ownership interests in Franchisee)

I hereby certify that, except as listed below, and excluding the ProSource franchise I am seeking to acquire, I do not have any ownership interest (or other interest) in any other retail or wholesale (i) floor covering ~~stores~~store or business ~~other than the ProSource franchise which I am seeking to acquire and as listed below.~~; (ii) kitchen and bath store or business; or (iii) franchised business. For each ~~floor covering~~ store or business listed below, indicate your percentage of ownership interest.

Prospective Franchisee:_____

Signature:_____

Print Name:_____

Date: _____

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

4301 Earth City Expressway,
Earth City, MO 63045
314-506-0000
800 466-6984
www.prosourcewholesale.com

EXHIBIT J

State Effective Dates

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

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

State	Effective Date
California	~~January 19, 2022~~February 17, 2023
Hawaii	~~January 18, 2022~~February 23, 2023
Illinois	~~January 18, 2022~~February 21, 2023
Indiana	February 11, ~~2022~~2023
Maryland	March ~~21, 2022~~20, 2023
Michigan	February 6, ~~2022~~2023
Minnesota	February ~~11, 2022~~15, 2023
New York	~~May 11, 2022~~February 21, 2023
Rhode Island	January 29, ~~2022~~2023
South Dakota	August 18, ~~2022~~2023
Virginia	February ~~16, 2022~~21, 2023
Washington	~~April 1, 2022~~February 17, 2023
Wisconsin	January ~~21, 2022~~20, 2023

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

-RETAIN THIS COPY-

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 Leading Edge Marketing, Inc. d/b/a ProSource Wholesale offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an Affiliate in connection with the proposed franchise sale. New York state law requires that Leading Edge Marketing, Inc. d/b/a ProSource Wholesale provide You with this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Leading Edge Marketing, Inc. d/b/a ProSource Wholesale does not deliver this disclosure document on time or if it contains a false or misleading statement, or material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency for your state listed on Exhibit D to this disclosure document.

Leading Edge Marketing, Inc. d/b/a ProSource Wholesale authorizes the state agency for Your state listed on Exhibit D to this disclosure document, whose address is listed on Exhibit D, to receive service of process for Leading Edge Marketing, Inc. d/b/a ProSource Wholesale.

The name of the person selling this franchise to you is: Andrew Shulklapper, Rachel Walschleger, Thomas Hodges, Eduardo Seuc or Bruce Burnett, and the address of the person selling this franchise to You is Leading Edge Marketing, Inc. d/b/a ProSource Wholesale, 4301 Earth City Expressway, St. Louis, Missouri 63045-1334, (314) 506-0000.

ISSUANCE DATE: January ~~19, 2023~~12, 2024

I have received a Franchise Disclosure Document dated January ~~19, 2023~~12, 2024, which included the following exhibits:

Exhibit A: List of Franchisees
Exhibit B: Financial statements regarding ProSource, which are contained within the unaudited interim and audited consolidated financial statements of its parent company, CCA Global Partners, Inc.
~~**Exhibit A:** List of Franchisees~~
~~**Exhibit B:** Financial statements regarding ProSource, which are contained within the unaudited interim and audited consolidated financial statements of its parent company, CCA Global Partners, Inc. for the~~ for the periods ended ~~December 31, 2022~~ November 30, 2023 (unaudited) and September 30, ~~2022~~2023, September 30, 2022 and September 30, 2021~~ and September 30, 2020~~.

Exhibit C: Franchise Agreement with the following Exhibits: (I) Description of Area; (II) Form of Confidentiality Agreement, (III) Form of Non-Compete Agreement; (IV) Unconditional Guaranty; and (V) State Addendum to the Franchise Agreement, if applicable
Exhibit D: Agents for Service of Process
Exhibit E: Executed Guaranty of Performance
Exhibit F: State Addenda to the Franchise Disclosure Document, if applicable
Exhibit G: Sample Promissory Note and Release
Exhibit H: ProSource Cooperative, Inc. Member Agreement
Exhibit I: Certification
Exhibit J: State Effective Dates

_____
Print Name of Franchisee Candidate

Check one: ___ (Individual); ___ (Corporation); ___ (Partnership); ___ (Limited Liability Company); ___ (Other)

By: _____ Date:_____
Signature

Print Name Title (if applicable)

-SIGN AND RETURN THIS COPY-

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 Leading Edge Marketing, Inc. d/b/a ProSource Wholesale offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an Affiliate in connection with the proposed franchise sale. New York state law requires that Leading Edge Marketing, Inc. d/b/a ProSource Wholesale provide You with this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Leading Edge Marketing, Inc. d/b/a ProSource Wholesale does not deliver this disclosure document on time or if it contains a false or misleading statement, or material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency for your state listed on Exhibit D to this disclosure document.

Leading Edge Marketing, Inc. d/b/a ProSource Wholesale authorizes the state agency for Your state listed on Exhibit D to this disclosure document, whose address is listed on Exhibit D, to receive service of process for Leading Edge Marketing, Inc. d/b/a ProSource Wholesale.

The name of the person selling this franchise to you is: Andrew Shulklapper, Rachel Walschleger, Thomas Hodges, Eduardo Seuc or Bruce Burnett, and the address of the person selling this franchise to You is Leading Edge Marketing, Inc. d/b/a ProSource Wholesale, 4301 Earth City Expressway, St. Louis, Missouri 63045-1334, (314) 506-0000.

ISSUANCE DATE: January ~~19, 2023~~ 12, 2024

I have received a Franchise Disclosure Document dated January ~~19, 2023~~12, 2024, which included the following exhibits:

Exhibit A: List of Franchisees
Exhibit B: Financial statements regarding ProSource, which are contained within the unaudited interim and audited consolidated financial statements of its parent company, CCA Global Partners, Inc.
~~**Exhibit A:** List of Franchisees~~
~~**Exhibit B:** Financial statements regarding ProSource, which are contained within the unaudited interim and audited consolidated financial statements of its parent company, CCA Global Partners, Inc.~~ for the periods ended ~~December 31, 2022~~ November 30, 2023 (unaudited) and September 30, ~~2022~~2023, September 30, 2022~~2021~~ and September 30, ~~2020~~2021.
Exhibit C: Franchise Agreement with the following Exhibits: (I) Description of Area; (II) Form of Confidentiality Agreement, (III) Form of Non-Compete Agreement; (IV) Unconditional Guaranty; and (V) State Addendum to the Franchise Agreement, if applicable
Exhibit D: Agents for Service of Process
Exhibit E: Executed Guaranty of Performance
Exhibit F: State Addenda to the Franchise Disclosure Document, if applicable
Exhibit G: Sample Promissory Note and Release
Exhibit H: ProSource Cooperative, Inc. Member Agreement
Exhibit I: Certification
Exhibit J: State Effective Dates

_____
Print Name of Franchisee Candidate

Check one: ___ (Individual); ___ (Corporation); ___ (Partnership); ___ (Limited Liability Company); ___ (Other)

By: _____ Date: _____
Signature

_____ _____
Print Name Title (if applicable)