

FRANCHISE DISCLOSURE DOCUMENT



Majestic Residences Franchise Systems, LLC

a Delaware limited liability company

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Majestic Residences Franchise Systems, LLC ("Majestic Residences," or "System") offers franchises for businesses that deliver non-medical care in a group residential home setting that is performed by trained caregivers around the clock, seven days a week. Our System also provides guidance in the acquisition, construction, and operation of a residential assisted living home. These homes provide 24-hour care including all meals, assistance with activities of daily living, which can include bathing, cleaning, dressing, showering, toileting, medication management, and social activities. The total investment necessary to begin operation of your Majestic Residences Business ranges from \$133,190 to \$870,185 that must be paid to us and our affiliates, or third-party vendors. This includes up to \$49,500 that must be paid to the Franchisor or affiliate. If you convert an existing, licensed home to our Franchise System, the total investment necessary to begin operation of your Majestic Residences Business ranges from \$28,240 to \$95,185. This includes up to \$10,000 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 fourteen (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 government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact us at www.majesticresidences.com or by phone at (877) 777-7916.

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

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

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

Issuance Date: April 15, 2023

How to Use this Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the Franchisor or at the Franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the Franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Majestic Residences Business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the Franchisor and other franchisees can compete with you.
Does the Franchisor have a troubled legal history?	Items 3 and 4 tell you whether the Franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What is it like to be a Majestic Residences franchisee?	Item 20 or Exhibit E list 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.
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What You Need To Know About Franchising *Generally*

Continuing responsibility 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 if your state has a registration requirement, or to contact your state, use the agency information in Exhibit F.

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 State Specific Addenda.

Special Risks to Consider About *This* Franchise

1. **Out-of-State Dispute Resolution.** The franchise agreement and area development agreement require you to resolve disputes with the Franchisor by mediation, arbitration and/or litigation only in Arizona. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the Franchisor in Arizona than in your own state.

**THE FOLLOWING PROVISIONS APPLY ONLY TO
TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

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

- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
- (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attn: Franchise
670 Law Building
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

TABLE OF CONTENTS

ITEM 1 FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES.....	1
ITEM 2 BUSINESS EXPERIENCE.....	3
ITEM 3 LITIGATION	3
ITEM 4 BANKRUPTCY	3
ITEM 5 INITIAL FEES.....	3
ITEM 6 OTHER FEES	5
ITEM 7 ESTIMATED INITIAL INVESTMENT	7
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	12
ITEM 9 FRANCHISEE'S OBLIGATIONS.....	14
ITEM 10 FINANCING.....	15
ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	15
ITEM 12 TERRITORY	25
ITEM 13 TRADEMARKS	27
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	29
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	30
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	31
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....	31
ITEM 18 PUBLIC FIGURES	35
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS.....	36
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION	36
ITEM 21 FINANCIAL STATEMENTS	40
ITEM 22 CONTRACTS	40
ITEM 23 RECEIPTS.....	41

Exhibit A	Financial Statements
Exhibit B	Guarantee of Performance
Exhibit C	Franchise Agreement
Exhibit D	Guaranty
Exhibit E	List of Franchisees
Exhibit F	Franchisor's Agent For Service Of Process and List of State Agencies/Agents for Service of Process
Exhibit G	Confidential Operations Manual Table of Contents
Exhibit H	Intellectual Property License Agreement
Exhibit I	State-Specific Additional Disclosures and Riders
Exhibit J	General Release
Exhibit K	Confidentiality Agreement
Exhibit L	Financing Documents
Exhibit M	Franchisee Questionnaire
Exhibit N	Receipts

ITEM 1
FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The franchisor is Majestic Residences Franchise Systems, LLC ("we," "us," or "our"). "You" means the person or entity to whom we grant a franchise. If you are a married individual, you and your spouse must sign our Guaranty and Assumption of Obligations ("Guaranty"). Our form of Guaranty is attached to this Disclosure Document as Exhibit D. If you are a business entity, each of the following individuals must sign our Guaranty: (i) each of your shareholders and their spouses, if you are a corporation; (ii) each of your general partners and their spouses, if you are a partnership; or (iii) each of your members and managers and each of their spouses, if you are a limited liability company. All of the provisions of our Franchise Agreement (a copy of which is attached as Exhibit C to this Disclosure Document) will apply to you and to each individual that signs the Guaranty. "Majestic Residences" refers to the franchised business offered under this Disclosure Document.

Corporate Information

We are a Delaware limited liability company. We filed our Articles of Organization on July 13, 2020. Our principal business address is 460 South Greenfield Road, Suite 5, Mesa, AZ 85206. If we have an agent in your state for service of process, we disclose that agent in Exhibit F to this Disclosure Document. We do not operate under any name other than our corporate name and our trade name "Majestic Residences."

Business History

This is our initial franchise offering. We are not engaged in any business other than offering the Majestic Residences franchises described above. We do not offer franchises in any other line of business. Mr. Bongiovanni has had significant prior experience in assisted living care franchising as indicated in Item 2 and does maintain a minority interest in the business identified in Item 2.

Parent Companies

We do not have a parent company.

Direct and Indirect Affiliates

We do not have a Direct Affiliate. We do have an Indirect Affiliate. RAL Academy, LLC is an Arizona limited liability company formed on January 26, 2016 and was solely owned by one of our founders, Gene Guarino. RAL Academy, LLC teaches its students how to invest and properly run as an assisted living facility.

Majestic Residences IP Holdings, LLC is solely owned by our founder, Chuck Bongiovanni. It retains the intellectual property that is licensed to us and sublicensed to our franchisees.

Predecessor

We do not have a predecessor company.

Description of Franchised Business

We grant franchises for residential assisted living homes ("Home") that operate under the name "Majestic Residences" and offer services relating to either real estate conversion or acquisition and development services, all to design an operational Home for the provision of non-medical services for residential group living (the "Business," "Majestic Residence Business" or "System"). We also permit our franchisees to perform day-care services for remuneration to nonresidents.

We grant to each franchisee a license to use the service mark "Majestic Residences" as well as the other service marks disclosed in Item 13. These service marks, together with any other trademarks, service marks, trade names, logos or other commercial symbols that we may license to Majestic Residences Businesses now or in the future, are collectively referred to as the "Marks". Each Majestic Residences Home must be operated at a site that we approve of and according to our standards, specifications, operating procedures and rules (the "System Standards"). Majestic Residences Businesses must offer all services we specify and may not offer any services we have not authorized.

We only grant franchises to franchisees who meet our minimum standards for character, skill, aptitude, attitude, English language proficiency (to ensure franchisees can effectively communicate with their staff, their clients and us), business ability and financial capacity. If we grant you a franchise, you will have the right to operate a Majestic Residences Business at a site that we approve (your "Business"). You must operate your Business under the Marks and in accordance with our System Standards.

Market and Competition

Majestic Residences Businesses provide services to the general public. Majestic Residences Businesses compete with other businesses offering non-medical residential care living facilities and services. There are about 30,000 residential care "living service" related businesses in the United States with varying degrees of competition among them depending on the local population and the ability to operate, which is in part dependent on state or local ordinances. These businesses may be independently owned or operate as a franchised business.

Laws and Regulations

Residential assisted living homes are licensed by state health agencies and must pass pre-determined requirements that are state and/or locality specific. It is your responsibility to thoroughly investigate the applicable business, zoning, licensing rules and regulations in your state and municipality before opening a Majestic Residences Business. Residential assisted living homes must also comply with HIPAA and other privacy laws. Some states require your staff to be certified or licensed in their position. Your administrator may need to be certified by the state You

must also comply with laws that apply generally to all businesses. There may be other federal, state and/or local laws or regulations pertaining to your Business with which you must comply. We recommend that you investigate these laws before purchasing this franchise.

ITEM 2

BUSINESS EXPERIENCE

Chuck Bongiovanni: Co-Founder and CEO - From July 2020 to the present, Mr. Bongiovanni was engaged as Co-Founder and CEO of Majestic Residences Franchise Systems, LLC. Prior to that, from February 2018 to June 2020, he was Executive President of National Strategic Partnerships for Best Life Brands, LLC, the parent company to CarePatrol Franchise Systems, LLC, of Gilbert, Arizona. From February 2017 to January 2018 he was the Brand President of CarePatrol Franchise Systems, LLC. From April 2009 until February 2017, Mr. Bongiovanni was Founder and CEO of CarePatrol Franchise Systems.

Shannon McInnis: Director of Franchise Development & Compliance. – From February 2020 through March 2020, Ms. McInnis served as the Sales Operations Manager for ZeeSprout, a Look Good Brands Company, in Pittsburgh, Pennsylvania. From December 2019 through February 2020, she served as Franchise Development and Support Manager for Best Life Brands, LLC, of Bloomfield Hills, Michigan. From January 2018 through December 2019, she served as Compliance Officer and Franchise Development Manager and from September 2015 through January 2018, she served as Chief Compliance Officer for CarePatrol Franchise Systems, LLC in Gilbert, Arizona.

Anthony Zerilli; Franchise Operations Manager. - Mr. Zerilli has been working in the Elder Care industry since November 1995 to the present. From August 2002 to the present, he is the owner / operator of Red Mountain Assisted Living located in Mesa, AZ.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

We currently charge an initial franchise fee of \$49,500 for a Majestic Residences Business that is a new Home ("New Build") - either purchased or leased- that is remodeled or newly constructed to operate as a residential care home. If you are a Platinum student of RAL Academy, LLC ("RALA") and have fully paid RALA's tuition of \$30,000, your initial franchise fee shall be \$19,500 for your

first Home. If you are a Gold student of RALA and have fully paid the tuition of \$15,000, your initial franchise fee shall be \$34,500 for the first Home.

Our initial franchise fee to convert your existing, currently licensed Residential Assisted Living Home ("Conversion") to our brand, which meets Majestic Residences Systems Standards is \$10,000, payable in one lump sum. Among the System Standards required for your Home to be considered a Conversion, the Home must be currently licensed, operating and you must have been the owner of the business for the last 12 consecutive months.

At our discretion, we may offer qualified candidates the option to purchase more than one, single unit franchise. If you are an existing franchisee with at least one unit open and operating in full compliance for at least 6 consecutive months or are entering the system with more than one fully licensed home, you may request to be approved for an additional unit(s) initially. Franchisees will be required to sign the then-current franchise agreement for each additional Home they open. The fee per unit will range from \$5,000 - \$39,500, as indicated below, depending on the level of training requested. We retain the right to determine the level of training a franchisee may require.

ADDITIONAL UNIT FEE SCHEDULE (COST PER UNIT)	
ALL PHASES OF TRAINING	\$39,500
PHASES 2&3 ONLY	\$25,000
GRAND OPENING SERVICES & PHASE 3 TRAINING	\$10,000
PHASE 3 TRAINING ONLY	\$5,000

Except as described in this section, the initial franchise fee is uniform. You must pay us the initial franchise fee in a lump sum when you sign the Franchise Agreement. The initial franchise fee is uniform, deemed fully earned by us when you sign the Franchise Agreement, and is not refundable under any circumstances.

ITEM 6
OTHER FEES

TYPE OF FEE¹	AMOUNT	DUE DATE	REMARKS
Royalty ²	6% of Gross Sales, commencing in month 2 of operation, with a minimum payable of \$900/month from the 13th month of operation to the end of the term. If you are not open for business within a year from the execution of the Franchise Agreement, you shall pay us \$500/month royalty until you commence operations. Conversion units shall commence royalties immediately after training completed	Due on the 10 th of the month for preceding monthly business ³	Based on Gross Revenues during the previous month; Royalties commence during the 2 nd month of operation. There is a minimum royalty due in month 13 and thereafter based upon 6% of the minimum revenue requirement of \$15,000 per month. Additionally, if there is a delay past 1 year after signing the Franchise Agreement, you shall pay us \$500/month until you open your Home and commence operations.
Brand Development	If initiated upon 60 days' prior notice, a maximum of \$100/month	Due on the 10 th day of the month for the preceding month	See Item 11 for information regarding the Marketing Fee
Technology Fee	\$300/month	Monthly on the 10 th of the month	See Item 11 for information
Local Advertising	If initiated upon 60 days' prior notice to you, a minimum of \$100 per month	As incurred	To third party vendors
Majestic Moments Package	\$5000	Upon execution of Franchise Agreement	Us

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS
Conference Registration Fee	\$500	60 days before the conference	2 attendees, \$150 more per attendee
Inventory Purchase	\$200 to \$2000	As incurred	Logoed tee shirts and other purchases if required under state or local regulation
Additional On-site Assistance Fee	\$500 per person per day plus expenses	As incurred	We provide initial training at no additional charge for two (2) people trained at the same location, but we may charge you for (i) training newly-hired personnel, (ii) refresher training courses, (iii) conventions and (iv) any additional or special assistance or training you need or request.
Successor Franchise Fee	\$5,000	Before execution of successor franchise agreement	Due if you enter into a successor franchise agreement with us
Transfer Fee	\$10,000	Before transfer completed	Due upon transfer of Franchise Agreement or controlling ownership interest in business entity franchisee
Audit	\$2,500	As incurred	Due only if you do not give us reports, supporting records or other required information on time or you understate Gross Revenues by more than 2%
Interest	Lesser of 15% per annum or highest commercial contract interest rate law allows	As incurred	Due on all overdue amounts under Franchise Agreement
Fines	\$500 per incident after the 3 rd infraction	Upon demand	Payable if you fail to comply with a mandatory System Standard and you do not cure the non-compliance within the time period we require. We will deposit all fines into the Marketing Fee for the benefit of all franchisees. It is not our intention to profit from these fines.

Explanatory Notes

1. All fees are non-refundable. You will be required to sign an ACH Authorization Form (attached to the Franchise Agreement as Exhibit B) permitting us to electronically debit your designated bank account for payment of all fees payable to us as well as any amounts that you owe to us or our affiliates for the purchase of services. You must ensure that there are sufficient funds available in your account. "**Gross Revenues**" is defined as a total of all revenue and receipts derived from the operation of the Business, including, but not limited to, all amounts received at or away from the site of the Home, or through or by means of the business you conduct at your Home, regardless of the type of tender or services

exchanged. This figure excludes sales taxes collected from clients, which are to be paid to the appropriate taxing authority.

2. If you do not report your Gross Revenues for any month, we may debit your account for 120% of the Royalty that we debited for the previous month. If the Royalty we debit is less than the Royalty you actually owe us (once we determine your actual Gross Revenues for the week), we may immediately debit your account for the balance. If the Royalty we debit is greater than the Royalty you actually owe us, we will credit the excess against the amount we otherwise would debit from your account during the following month, without interest.
3. All current fees are uniformly imposed.

ITEM 7

ESTIMATED INITIAL INVESTMENT

CHART 1 – IF CONVERTING EXISTING LICENSED FACILITY TO MAJESTIC HOME:

YOUR ESTIMATED INITIAL INVESTMENT IF LEASING OR OWNING EXISTING LICENSED PROPERTY				
TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ²	\$10,000	Lump Sum	When you sign the Franchise Agreement	Us
Security Deposits ⁵	\$0	As agreed	Prior to Opening	Landlord and utility companies
Construction, Remodeling & Improvements ⁵	\$0 to \$15,000	As incurred	Prior to Opening	Suppliers
Capital Needed During Start Up Phase	\$0 to \$5,000	As incurred	Prior to and immediately upon Opening	Suppliers
Furniture, Décor Items & Fixtures	\$0 to \$15,000	As incurred	Prior to Opening	Suppliers
Office Equipment & Supplies	\$0 to \$2,000	As incurred	Prior to Opening	Suppliers
Opening Inventory	\$200 to \$1,500	As incurred	Prior to Opening	Suppliers
Typical Hardware and Software Needed ³	\$0 to \$5,000	As incurred	Prior to Opening	Suppliers
Business Licenses and Permits	\$0 to \$1,000	As required	Prior to Opening	Governmental agencies

YOUR ESTIMATED INITIAL INVESTMENT IF LEASING OR OWNING EXISTING LICENSED PROPERTY				
TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Professional Fees	\$1,000 to \$2,500	As incurred	Prior to Opening	Architects, lawyers, accountant, employment verification fees and other professionals
Professional Association Membership ¹⁰	\$150 to \$400	As incurred	Prior to Opening	Third Party
Medication Cart	\$1,500 to \$3,000	As incurred	Prior to Opening	Supplier
Majestic Moments Package	\$5,000	Lump sum	Upon execution of Franchise Agreement	Us
Employee Uniforms	\$90 to \$900	As incurred	Prior to Opening	Supplier
Marketing and Promotions	\$500 to \$1,000	As incurred	Prior to Opening	Supplier
Insurance ⁹	\$500 to \$1,200	As incurred	Prior to Opening	Insurer
Training Expenses ⁴	\$1,000 to \$3,500	As incurred	As incurred	Third party
Certification ⁷	\$3,300 to \$8,185	As incurred	As incurred	Third party
Additional Funds ⁶	\$5,000 to \$15,000	As incurred	As incurred	To various 3 rd parties
TOTAL ESTIMATED INITIAL INVESTMENT IS LEASING PROPERTY⁸	\$28,240 to \$95,185			

Explanatory Notes

1. We are unaware of any fees payable to third party suppliers that are refundable. Please note this presumes that you have already made lease and security deposit payments for your currently operating Home.
2. This initial franchise fee is for your first Majestic Residences Business, provided you are converting your existing group residential home to a Majestic Residences Home.
3. This amount estimates your cost for the purchase and installation of your computer system and related technological equipment. See Item 11 ("Computer System") for detailed information about the items that are included in this estimate. The low estimate assumes you will have 1 computer and the high range assumes you will have two (2) computers.

Associated licensing and maintenance fees to third party vendors have also been included in this range.

4. This item estimates the travel and living expenses that you will incur when you attend the initial training programs described in Item 11. The high estimate includes airfare cost and hotel for two (2) people. It does not include any wages or salary for you or your employees during training.
5. This estimate does not include any construction allowances that may be offered by the landlord. The cost of leasehold improvements will vary widely depending upon the size and condition of the premises, if you are located outside of the 48 contiguous states, whether or not there are any existing and comparable leasehold improvements in the premises, the extent and quality of improvements desired by you over and above our minimum requirements, landlord's cash contribution to the cost of the improvements, whether you are required to use union labor, and the like.
6. Additional funds necessary for the first 90 days of operation such as payroll and other required payments are included here. This determination has been made based upon the experience of Chuck Bongiovanni, who has experience in assisted living business in excess of 27 years.
7. This fee is paid to obtain and maintain accreditation. Each year the minimum fee of \$3,300, subject to change, is imposed. Every third year an additional fee, currently \$4,845, is required.
8. This item estimates your initial start-up expenses (other than the items identified separately in the table). These expenses include payroll costs during your first 3 months of operation but not any draw or salary for you. These figures are estimates and you may have additional expenses starting your Business. Your actual costs for initial start-up expenses during the Business' first 3 months of operation depend on many factors, including the following: (i) how closely you follow our methods and procedures; (ii) your management skill, experience, and business acumen; (iii) local economic conditions; (iv) the local market; (v) the prevailing wage rate; (vi) competition; and (vii) the sales level reached during the initial period.
9. Commercial insurance policy or Lessor's Risk (if the property is in a trust or not owned by the business owner) to cover liability and damages to the property. The fair market value of the house should be determined with coverage to match. Additional specifications will be provided in the Manual.
10. You will be required to join an industry trade association. We have several organizations to refer to you. Since various chapters have certain strengths, before you join a specific association, we will discuss with you and approve that expenditure so that you maximize benefits from your membership.

CHART 2 – IF PURCHASING AND/OR CONSTRUCTING HOME:

YOUR ESTIMATED INITIAL INVESTMENT IF PURCHASING AND/OR CONSTRUCTING HOME				
TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ²	\$49,500	Lump sum	When you sign the Franchise Agreement	Us
Security Deposits ⁴	\$500 to \$2,000	As agreed	Prior to Opening	Utility companies
Purchase of real estate ⁵	\$40,000 to \$200,000	As agreed	Close of escrow or as agreed	Seller
Construction, Remodeling & Improvements	\$2,000 to \$500,000	As incurred	Prior to Opening	Contractors, vendors
Furniture, Décor Items & Fixtures	\$10,000 to \$20,000	As incurred	Prior to Opening	Suppliers
Office Equipment & Supplies	\$700 to \$6,000	As incurred	Prior to Opening	Suppliers
Opening Inventory	\$200 to \$1,000	As incurred	Prior to Opening	Suppliers
Typical Hardware and Software Needed ³	\$2000 to \$5,000	As incurred	Prior to Opening	Suppliers
Business Licenses and Permits	\$250 to \$10,000	As required	Prior to Opening	Governmental agencies
Professional Fees	\$1,000 to \$28,500	As incurred	Prior to Opening	Architects, lawyers, accountant and other professionals
Professional Association Membership ¹⁰	\$150 to \$400	As incurred	Prior to Opening	Third Party
Medication Cart	\$1,500 to \$3,000	As incurred	Prior to Opening	Supplier
Majestic Moments Package	\$5,000	Lump sum	Upon execution of Franchise Agreement	Us
Employee Uniforms	\$90 to \$900	As incurred	Prior to Opening	Supplier
Marketing and Promotions	\$500 to \$1,000	As incurred	Prior to Opening	Supplier
Insurance ⁹	\$500 to \$1,500	As incurred	Prior to Opening	Insurer
Training Expenses ⁶	\$1,000 to \$3,500	As incurred	As incurred	Third party
Certification ⁷	\$3,300 to \$8,185	As incurred	As incurred	Third party
Additional Funds	\$15,000 to \$25,000	As incurred	As incurred	To various 3 rd parties

YOUR ESTIMATED INITIAL INVESTMENT IF PURCHASING AND/OR CONSTRUCTING HOME				
TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
TOTAL ESTIMATED INITIAL INVESTMENT IF PURCHASING PROPERTY⁸:	\$133,190 to \$870,185			

Explanatory Notes

1. We are unaware of any fees payable to third party suppliers that are refundable.
2. The initial franchise fee is \$49,500 for your first Majestic Residences Business, unless you are converting an existing group residential care home to our brand and in that case, the initial fee \$10,000.
3. This amount estimates your cost for the purchase and installation of your computer system and related technological equipment. See Item 11 ("Computer System") for detailed information about the items that are included in this estimate. The low estimate assumes you will have 1 computer and the high range assumes you will have two (2) computers. Associated software licensing and maintenance fees to third party vendors have also been included in this range
4. This includes security deposits required by the utility companies.
5. This estimate presumes that you will be purchasing the premises for your Business, typically a minimum of 2500 square feet. It will vary based upon location and square footage.
6. This item estimates the travel and living expenses that you will incur when you attend the initial training programs described in Item 11. The high estimate includes airfare cost and hotel for two (2) people. It does not include any wages or salary for you or your employees during training.
7. This fee is paid to obtain and maintain accreditation. Each year the minimum fee of \$3,300, subject to change, is imposed. Every third year an additional fee, currently \$4,845, is required.
8. This item estimates your initial start-up expenses (other than the items identified separately in the table). These expenses include payroll costs during your first 3 months of operation but not any draw or salary for you. These figures are estimates and you may have additional expenses starting your Business. Your actual costs for initial start-up expenses during the Business' first 3 months of operation depend on many factors, including the following: (i) how closely you follow our methods and procedures; (ii) your management skill, experience, and business acumen; (iii) local economic conditions; (iv)

the local market; (v) the prevailing wage rate; (vi) competition; and (vii) the sales level reached during the initial period.

9. This is an estimate. Your costs could be higher or lower depending on your location and if the insurance company offers monthly, quarterly or annual payments.
10. You will be required to join an industry trade association. We have several organizations to refer to you. Since various chapters have certain strengths, before you join a specific association, we will discuss with you and approve that expenditure so that you maximize benefits from your membership.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Lease Criteria

Normally, you can run your Business from a location in your approved Home. Majestic Residences franchisees are not required to lease office space from which to operate their business.

We do not select the site for your Home. However, before opening we must approve the Home as meeting Majestic standards. We will take several factors into consideration regarding our approval of your Home including the size of the Home which must have at least 3 bedrooms and 2 baths and be in compliance with state and local laws and regulations. In reviewing a request to relocate, we would consider all of the same factors that we consider in evaluating your initial site. We do have requirements for the interior layout or design which will be presented to you in our Confidential Operations Manual ("Manual").

Sourcing Restrictions Generally

To maintain the quality of the services that Majestic Residences offer and sell, as well as the reputation and goodwill of our Marks, you must operate your Business according to our System Standards. The System Standards may regulate, among other things: (i) the types, models, and brands of marketing materials and services your Business uses; (ii) required and authorized services that your Business must offer; (iii) required and authorized product and service categories; and (iv) designated and approved suppliers of these items and services.

You must purchase insurance policies, and computer hardware/software that meet the specifications in our Manual. You must also purchase certain services only from approved or designated suppliers, including computer software, marketing materials, software maintenance and support services. You must purchase the types of insurance policies (with the minimum amounts of coverage) that we specify from approved insurance companies. We require Comprehensive general liability insurance and umbrella insurance against claims for bodily and personal injury, death and property damage with a minimum of \$1,000,000 combined single limit per occurrence and \$2,000,000 in the aggregate with a maximum deductible of \$1000 per claim, worker's compensation and employers liability insurance as required by local law, automotive

liability and property damage with a minimum coverage of \$1,000,000 per claim and Professional liability insurance with limits not less than \$1,000,000 per claim/occurrence and \$3,000,000 in the annual aggregate.

Of the total purchases that will be required to establish your Business, we estimate that between 5% and 20% of these purchases will be from approved or designated suppliers or will consist of items that must meet our specifications. Of the total purchases that will be required to operate your Business after opening, we estimate that between 5% and 10 % of these purchases will be from approved or designated suppliers or will consist of items that must meet our specifications.

Standards and Specifications

We formulate and modify standards and specifications based on our franchisees' experience in developing and operating Majestic Residences Businesses. Our standards and specifications may impose minimum requirements for delivery, performance, reputation, prices, quality, design, and appearance. We will notify you within 30 days of any changes to, or the establishment of, specifications, or approved or designated suppliers, or the revocation of the approval of existing designated or approved suppliers. This notice may be disseminated to you by various means, including written or electronic correspondence, verbal or telephonic notification, amendments or updates to the Manual, bulletins, and similar means of communication.

Proposing New Suppliers

If you want to use any item or service for or at your Business that we have not yet evaluated or buy or lease from a supplier that we have not yet approved (for items and services that require supplier approval), you first must send us sufficient information, specifications, and samples so we can determine whether the item or service complies with our System Standards and/or the supplier meets approved supplier criteria. We will notify you of our approval or rejection of a proposed item, service or supplier within a reasonable time, usually within 60 days after receiving all information we require. Supplier approval might depend on, among other things, product quality, prices, consistency, warranty, reliability, delivery frequency, service standards, financial capability, client relations, and concentration of purchases with limited suppliers to obtain better prices and service. Approval may be temporary until we evaluate the supplier in more detail. We may revoke our approval of a supplier by notifying the supplier and you in writing. It is an event of default under your Agreement if you utilize unapproved services or suppliers in the operation of your Business. We do not impose any fee for evaluating alternative suppliers.

Revenues of Franchisor and Predecessor

We may derive revenue based on purchases that you are required to make from our affiliates or designated suppliers. We also have the right to receive payments in the form of promotional allowances, volume discounts or any other payments, from suppliers on account of their dealings with you and other franchisees.

Since this constitutes our initial franchise offering, there are no revenue figures to provide.

Affiliate Revenues

None of our affiliates will receive revenue.

Our Officers' Interests in Suppliers

None of our officers owns a direct interest in any approved or designated supplier.

Purchasing Practices

There currently are no purchasing or distribution cooperatives. We may, at our option, negotiate purchase arrangements with suppliers (including price terms) for franchisees for some required items, currently including supplies and promotional items that you are required to use. We do not provide material benefits (like successor franchise agreements or granting additional franchises) to franchisees for using designated or approved suppliers.

Material Benefits

We do not provide any material benefits to a franchisee based on a franchisee's purchase of particular products or services for use of particular suppliers.

ITEM 9 **FRANCHISEE'S OBLIGATIONS**

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

OBLIGATION	SECTION IN AGREEMENT ("FA" – FRANCHISE AGREEMENT)	DISCLOSURE DOCUMENT ITEM
(a) Site selection and acquisition/ lease	FA: Section 2(A)	Items 6, 7 and 8
(b) Pre-opening purchases/leases	FA: Section 2(A)	Items 5, 6, 7, 8, and 11
(c) Site development and other pre-opening requirements	FA: Section 2(B)	Items 5, 6, 7, 8, and 11
(d) Initial and ongoing training	FA: Sections 4(A), 4(B)	Items 7 and 11
(e) Opening	FA: Sections 2(D), 2(E)	Item 11
(f) Fees	FA: Sections 3, 4, 13	Items 5, 6, and 7
(g) Compliance with standards and policies/Operating Manual	FA: Sections 4(D), 8(H)	Items 8, 11 and 16
(h) Trademarks and proprietary information	FA: Sections 5, 6	Items 13 and 14

OBLIGATION	SECTION IN AGREEMENT ("FA" – FRANCHISE AGREEMENT)	DISCLOSURE DOCUMENT ITEM
(i) Restrictions on services offered	FA: Section 8(C)	Items 8, 11, and 16
(j) Warranty and customer service requirements	FA: Not Applicable	Not Applicable
(k) Territorial development and sales quotas	FA: Section 1	Item 12
(l) Restrictions on products/services offered	FA: Section 8(D)	Items 6 and 8
(m) Maintenance, appearance and remodeling requirements	FA: Section 8(B)	Item 11
(n) Insurance	FA: Section 8(F)	Items 7 and 8
(o) Advertising	FA: Sections 2(E), 9	Items 6, 7, and 11
(p) Indemnification	FA: Sections 5(E), 16(D)	Item 6
(q) Owner's participation/management/staffing	FA: Section 8(A)	Items 11 and 15
(r) Records/reports	FA: Section 10	Item 6
(s) Inspections/audits	FA: Section 11	Items 6 and 11
(t) Transfer	FA: Section 12	Item 17
(u) Renewal	FA: Sections 13, 17(N)	Item 17
(v) Post-termination obligations	FA: Section 15	Item 17
(w) Non-competition covenants	FA: Section 7	Item 17
(x) Dispute resolution	FA: Section 17(G)	Item 17
(y) Maximum prices	FA: Section 8(G)	Item 16

ITEM 10 FINANCING

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

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

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

Pre-Opening Assistance

Before you open your Business, we will provide to you various pre-opening assistance relating to site location, identifying and approving your Territory (defined in Item 12), lease criteria (defined in Item 8) and final review, development management for the construction of your facility, and occupancy management services regarding equipment and design standards and guidelines, including the following:

1. Grant a Territory. (Franchise Agreement, Section 1)
2. Review and approve the general layout, center improvements, and colorization of your Home. (Franchise Agreement, Section 2)
3. Identify the materials, supplies and services you must use to develop and operate your Business, the minimum standards and specifications that you must satisfy, and the designated and approved suppliers from whom you must or may buy or lease these items. We do not deliver or install any of these items. (Franchise Agreement, Sections 8(C), 8(D)). See Item 8 for additional information.
4. Loan you one (1) copy of the Manual, which may be in the format of our choosing, including, but not limited to, audiotapes, videotapes, computer disks, compact disks and/or other written or intangible materials and which we may make available to you through various means, including the Internet. The Manual contains our System Standards and information on your other obligations under the Franchise Agreement. The current table of contents of the Manual is attached as Exhibit G to this Disclosure Document. The Manual contains a total of 150 pages. (Franchise Agreement, Section 4(D))
5. Advise you on the grand opening marketing program for your Business. (Franchise Agreement, Section 2(E))
6. Train you in the operation of a Majestic Residences Business. (Franchise Agreement, Section 4). For additional information, see Section below entitled "Training."

Continuing Assistance

During your operation of your Business, we will:

1. Periodically advise you regarding the operation of your Business based on your reports or our inspections. We will advise you on standards, specifications, operating procedures and methods that Majestic Residences Businesses use. We will guide you in our Manual, in bulletins or other written materials, by electronic media, by telephone consultation, and/or during consultations at our office or your Majestic Residences Business. (Franchise Agreement, Sections 4(B), 4(C))

2. Provide you, either at your request and expense, or as we deem necessary as remediation, additional or special guidance, assistance and training in exchange for the Additional Training or Assistance Fee. (Franchise Agreement, Section 4(A))

3. Periodically modify the Manual to reflect changes in System Standards. You must keep your copy of the Manual current and in a secure location at your Business facility. If there is a dispute over its terms or contents, our master copy of the Manual controls. The Manual is confidential, and you may not copy, duplicate, record or otherwise reproduce any part of the Manual. (Franchise Agreement, Section 4(D))

4. Issue and modify System Standards for Majestic Residences Businesses. We may periodically modify System Standards and these modifications may require you to invest additional capital in your Business and/or incur higher operating costs. (Franchise Agreement, Section 8(H)). See discussion below entitled "Home Requirements" for additional information.

5. Grant you the use of our confidential information, which is more fully described in Item 14. (Franchise Agreement, Section 6)

6. Grant you the use of our Marks, which are more fully described in Item 13. (Franchise Agreement, Section 5)

7. Periodically, and at our option, offer refresher training courses and required conventions, in which case you must pay us the Additional Training or Assistance Fee. (Franchise Agreement, Section 4(A))

8. Maintain and administer a formal Brand Fund (the "Brand Development Fund"). See discussion below entitled "Advertising and Marketing" for additional information.

9. Negotiate and manage referral agreements with placement agents to assist your marketing efforts for your Home (Franchise Agreement, Section 4C)

Site Selection. (Franchise Agreement Section 2).

Please refer to the criteria directly below.

Home Requirements (Franchise Agreement Section 2).

The Home must have a physical street address. A Majestic Residences Home typically should be a minimum of 2500 square feet or equivalent to your state regulations for residential care facilities. If leasing, we must approve the location and the Home. Before purchasing a home for your business we must approve the location of your Home. Factors we consider in approving your Home are the general appearance, its location, its ease of conversion to a residential care home, the rent or purchase terms. We do not select the site for your Business. You may relocate your Business provided it is within your Territory. In reviewing a request to relocate, we would consider all of the same factors that we consider in evaluating your initial site. Our Home physical requirements are contained within our Manual. We may require additional remodeling, renovation

during the term after commencement of business, and as often as annually. Further details regarding this requirement will be addressed at training and identified within the Manual.

If your approved Home is a conversion or if you are purchasing a current residential care home and are not remodeling, you are required to open and begin operating your Business within the 60 days of signing your Franchise Agreement. If you are remodeling an existing building, you must open and begin operating your Business within 180 days of signing your Franchise Agreement. If you are constructing a new building, you must open and begin operating within 365 days of signing of your Franchise Agreement. Your failure to meet this requirement may result in termination of your Franchise Agreement.

You must maintain your Business location in good condition at your expense, including all mandated state or local requirements placed upon assisted living facilities, cleaning, repainting and redecorating on an as needed basis, and repairing or replacing worn-out or obsolete equipment.

To maintain a high level of service to your clientele and to preserve brand integrity, we do require each home to obtain and maintain accreditation with the JCAHO (Joint Commission of Accredited Health Organizations ("JCAHO")). This accreditation occurs every three years during the term of the franchise and any successor term(s). You must complete your initial accreditation by the JCAHO shortly after your first year of operations and when we, in our sole discretion, believe that your Home is ready to be accredited. The cost at present is \$3,300 per year commencing in year two and every year thereafter. Approximately every third year throughout the Term and any Successor Term, the actual accreditation occurs. In those years, there is an additional fee of approximately \$4,845, subject to adjustment by the JCAHO or our negotiations with them. These fees are paid to the JCAHO directly.

Advertising and Marketing

Each Majestic Residences Business (whether owned by us or a franchisee) may be required to contribute to the Brand Development Fund the amounts that we periodically require, which will not exceed \$100 per month or a lump sum equivalent to \$1,200 per calendar year. We have the right to collect for deposit into the Brand Development Fund any advertising, marketing, or similar allowances paid to us by suppliers who deal with Majestic Residences Businesses and instruct us to use the allowances for advertising or marketing purposes. We will deposit all fines that we collect from franchisees for non-compliance with our System Standards into the Brand Development Fund for the benefit of all franchisees (we do not intend to profit from these fines). Except as described in this paragraph, we have no obligation to spend our money on marketing in your Territory.

We will designate, direct and have complete control over all advertising and marketing programs (including the creative concepts, materials, endorsements and media used for the programs as well as the geographic, market and media placement and allocation of the programs) and all other marketing activities. You will contribute to these efforts through the required contribution to the Brand Development Fund. The Brand Development Fund may pay for (i) preparing and producing

video, audio, and written materials and electronic media, (ii) administering regional and multi-regional marketing and advertising programs, including purchasing trade journal, direct mail, radio and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance, (iii) supporting public relations, market research, and other advertising, brand promotion, and marketing activities, (iv) development and improvements to our Website (as defined below), (v) research, development and promotion for new services that may be offered at or for Majestic Residences Businesses and (vi) research, development and promotion to improve our System Standards, client loyalty, Business staffing and franchise system. The Brand Development Fund will advertise in printed materials or on radio or television for local, regional or national circulation, or whatever media we think best. We and/or a regional or national advertising agency will produce all advertising and marketing.

We will account for the Brand Development Fund separately from our other funds and will not use the Brand Development Fund for any of our general operating expenses, except to compensate us for the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering the Brand Development Fund and its programs, including conducting market research, preparing advertising, promotion, and marketing materials, and collecting and accounting for Brand Development. The Brand Development Fund is not our asset or a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Brand Development Fund or for any other reason. Expenditures toward Brand Development related items in any fiscal year may be more than or less than the total sum of funds to the Brand Development Fund. Funds may be borrowed from us or others (paying reasonable interest) to cover deficits or conversely in the event of a surplus, to invest funds for future use. We will use interest earned on Brand Development to pay costs before spending the Brand Development Fund's other assets. We will not use Brand Development for advertising that principally is a solicitation for the sale of franchises, although the Brand Development Fund may pay for improvements to our Website, which includes a section containing information for prospective franchisees. We will prepare an unaudited, annual statement of Brand Development Fund collections and costs and give it to you upon written request. We may incorporate the Brand Development Fund or operate it through a separate entity when we think best. The successor entity will assume all of the rights and duties described here. Except for the agency commissions disclosed in Item 8, neither we nor our affiliates (nor Majestic Residences or its affiliates) received payment for providing goods or services related to the Brand Development Fund, except in exchange for the administrative services provided by our Marketing Department.

We intend for the Brand Development Fund to maximize recognition of the Marks and patronage of Majestic Residences Businesses. As such, our aim is to use the Brand Development Fund to develop and place advertising, marketing materials and programs, which will benefit all Majestic Residences Businesses, however, we need not ensure that expenditures in any particular area are proportionate to or equivalent to contributions made to the Brand Development Fund by Majestic Residences Businesses in any particular area. Additionally, we need not ensure nor guarantee that any Majestic Residences Business benefits directly or in proportion to its Brand Development Fund contribution from the development or placement of advertising and marketing materials.

We may use collection agents and institute legal proceedings to collect Brand Development at the Brand Development Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Brand Development Fund. We assume no other direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Brand Development Fund.

We may at any time commence, defer, increase or reduce a franchisee's Brand Development Fee and, upon 60 days' prior written notice to you, reduce or suspend Brand Development and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Development Fund. Any surpluses remaining in the non-terminated Brand Development Fund shall remain in the Brand Development Fund for future use in marketing endeavors. If we terminate the Brand Development Fund, we will distribute all unspent monies to franchisees, and us and our affiliates, in proportion to their, and our, respective contributions during the preceding twelve (12) month period.

All electronic media advertisements must be approved by us. These advertisements will be placed either by us or by our third-party vendor. All reasonable effort will be made to achieve favorable pricing based upon volume or aggregate purchase arrangements.

The restrictions on advertising apply to any information relating to us, you or your Majestic Residences Business that you plan to use on a Website (as defined below) and to any changes to any Website information that we previously approved. You may maintain a Website for your Business with our approval. At our option, you must discontinue any previously approved Website and/or sign any documents, submit any information and/or take any other type of action we reasonably require to participate in any Website program. For purposes of this Section, the term "Website" means an interactive electronic document, a mobile media or a social media tool or page or other Internet presence, contained in or utilizing a network of computers linked by communications software, including the Internet, World Wide Web and any similar successor technology. We will maintain your Facebook account or other texting, social media promotions, postings or sites, such as Twitter and including any other electronic, mobile or digital device, method or system enabling the transmission of information. In the event that we determine, in sole discretion, that there is information on your website that we believe is incorrect, inaccurate or misleading, then we have the right to require that you eliminate that information.

Advisory Council

We have not established an advisory council at this time but may do so in the future. If established, we will receive input and feedback from the advisory council which will be comprised of franchisee representatives. The members of the advisory council will be elected by vote of the franchisees except for the first advisory council member group, who may be chosen by the franchisor. The advisory council will serve in an advisory capacity only and will not have operational or decision-making power. If established, we will not have the power to alter the function and/or composition of, or change or dissolve, an existing advisory council. We do not intend to create either a local or regional advertising cooperative.

Computer System

You must use the designated computer, applications, and communication equipment (collectively, the "Computer System") that we periodically designate for the operation of your Business as follows.

At present, any laptop or desktop with a camera and microphone will suffice. Software must be Windows version 10 or Apple OS with WiFi internet access. We also require that you own a computer tablet, although at present we do not mandate any brand. You must also own a color printer of any brand that you desire. If you need to purchase these hardware and software items, we estimate that they can be acquired for under \$3000. Accounting functions must be run on QuickBooks Online version. We do require that you own a smartphone but do not designate any required brand. The Computer System will generate accounting, revenue and expense information. We will have access to your accounting information at all times. You must obtain the Computer System, software licenses, maintenance and support services, and other services related to the Computer System from reliable suppliers. We do not designate the required suppliers. We may periodically modify and/or develop technical specifications and/or components of the Computer System. These modifications and/or developments may require you to purchase, lease, license and/or support new or modified computer hardware and/or software for the Computer System. The Franchise Agreement does not limit the frequency and/or cost of these changes, upgrades, or updates. We have no obligation to reimburse you for any Computer System failure, upgrade, or related shipping costs. Within 60 days after you receive notice from us, you must obtain the components of the Computer System that we designate and ensure that the Computer System, as modified, is functioning properly. Any upgrades, updates, maintenance or support during the initial years after you purchase your Computer System should be covered by the standard manufacturers' warranty.

You will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and various general and Microsoft or Apple updates for the Computer System; (2) the manner in which your Computer System interfaces with our computer system and those of other third parties; (3) the installation, maintenance and support of the Computer System, although we may from time to time require or recommend third parties to provide these functions; and (4) any and all consequences that may arise if the Computer System is not properly operated, maintained, and upgraded including but not limited to virus and spyware issues.

We do charge a monthly technology fee of \$300 per month directly debited from your account upon commencement of your Majestic Business. However, you may be required to pay monthly licensing fees to third parties for software and other technology-related services and/or for other Computer System maintenance and support services. These monthly fees should not exceed \$150 per month. If we, our affiliates or third parties license proprietary software to you, or otherwise allow you to use similar technology, you will need to sign a software license agreement.

The Payment Card Industry ("PCI") Data Security Standard ("DSS") is a comprehensive set of requirements that applies to all merchants who accept credit cards that is designed to ensure the safe handling of client cardholder data. Compliance with the PCI DSS is the responsibility of the

Business. You must meet the PCI DSS requirements and maintain PCI compliance against the current version of PCI DSS. You have complete responsibility for using all required tools and vendors to complete the ongoing PCI requirements, including quarterly external security scans and annual Self-Assessment Questionnaires. You are responsible for all costs relating to PCI compliance and data security issues, such as security threats, breaches, and malware. It is your responsibility to alert the Information Security Officer within twenty-four (24) hours of suspected or confirmed data security breach so appropriate action can be taken to protect client data.

Training (Franchise Agreement (Section 4)).

Before your Business opens, we will train you and up to one other individual (typically a manager as defined in Section 15 of this Disclosure) on operating the Majestic Residences Business. The training program for non-conversion franchises lasts approximately ten (10) days plus additional onsite training that may total two (2) weeks. Your Principal Owner (defined in Item 15), your Operations Manager (defined in Item 15), and the number of other management personnel we designate must complete the initial training program to our satisfaction and participate in all other activities that we require before opening your Business. At all times, your Business must have a Principal Owner and Operations Manager (if approved) (see Item 15) who are fully qualified and have completed our training curriculum. Although we do not charge you a separate fee for the initial training, you must pay all travel and living expenses that you and your personnel incur. As of the date of this Disclosure Document, we provide the following training:

TRAINING PROGRAM

PHASE ONE - BRANDING & MARKETING TRAINING			
SUBJECT	HOURS OF SELF STUDY MAERIALS OR CLASSROOM	ON THE JOB TRAINING HOURS	LOCATION
Getting To Know Your Market	8	0	Self Study / Your location
Training Videos	12	0	Self Study
Mission Vision Values	1	0	Gilbert, AZ or TBA*
Marketing your home / Touring	7	0	Gilbert, AZ or TBA*
Brand Software	4	0	Self Study
TOTAL HOURS	32	0	

* Location may change due to COVID-19 conditions

Total Hours

32

PHASE TWO- PRE-LICENSING TRAINING			
SUBJECT	HOURS OF SELF STUDY MAERIALS OR CLASSROOM	ON THE JOB TRAINING HOURS	LOCATION
Policy & Procedure State Manual	5	0	Self Study
Employee Handbook Sample	2	0	Self Study
Pre-Training Videos	5	0	Self Study
Staffing/Recruiting/Scheduling/Compensation	8	0	Gilbert, AZ or TBA*
Brand Software	8	0	Gilbert, AZ or TBA*
TOTAL HOURS	28	0	

* Location may change due to COVID-19 conditions

Total Hours

28

PHASE THREE PRE-OPERATIONAL TRAINING			
SUBJECT	HOURS OF SELF STUDY MAERIALS OR CLASSROOM	ON THE JOB TRAINING HOURS	LOCATION
Implementing Brand Software	0	7	Gilbert,AZ or TBA*
Brand Standards	2	0	Gilbert,AZ or TBA*
Grand Opening	0	4	Your Location
Pre-Training Videos	20	0	Self Study
TOTAL HOURS	22	11	
* Location mav chance due to COVID-19 conditions		Total Hours	33

CONVERSION HOMES TRAINING			
PHASE THREE PRE-OPERATIONAL TRAINING			
SUBJECT	HOURS OF SELF STUDY MAERIALS OR CLASSROOM	ON THE JOB TRAINING HOURS	LOCATION
Brand Software	0	7	Gilbert, AZ or TBA*
Brand Standards	2	0	Gilbert,AZ or TBA*
Marketing and Touring	7	0	Gilbert,AZ or TBA*
Pre-Training Videos	10	0	Self Study
TOTAL HOURS	19	7	
* Location may change due to COVID-19 conditions		Total Hours	26

We will have a 16 week continued training and program implementation after your grand opening, along with weekly calls for the first year.

Most of these subjects are integrated throughout training programs as follows: (a) Phase One Training is comprised of 32 hours of self-study or classroom; (b) Phase Two Training is comprised of 28 hours of self-study or classroom; (c) Phase Three Training is comprised of 22 hours of self-study or classroom, 11 hours on the job training; and (d) Conversion (Already Established Care Homes) Training is comprised of 19 hours of self-study or classroom, 7 hours on the job training.

The total initial training, including the on-site and telephonic training, lasts at least two (2) weeks. Currently, we intend to offer the initial training program as demand requires but approximately once quarterly. For the classroom training, the training materials will consist of the Manual and the Franchise Training Manual, which consists of a minimum of 150 pages. You will not be charged an additional fee for any of the training materials.

If you are a Conversion franchisee, you will be required to attend and successfully complete Phase 3 Training, and if we deem necessary in our sole discretion, attend and successfully complete Phase 2 Training.

Our training program is conducted by Chuck Bongiovanni, Shannon McInnis and Anthony Zerilli. Mr. Bongiovanni has 33 years of experience in franchising and in assessment and placement of residents into senior housing. Ms. McInnis has 10 years of franchise experience in this field. Mr. Zerilli has a combined 30 years of experience as a residential assisted living home operator, as an Arizona Certified Caregiver and a Certified Dementia Practitioner.

We will hold franchisee training programs at a location in either Scottsdale, Gilbert, Mesa, or Phoenix, Arizona, or at another location we designate. There are fixed training schedules. However, circumstances such as COVID 19 may require that we relocate training or modify schedules. Additionally, we reserve the right to make scheduling changes to meet sufficient demand.

If we determine that you cannot complete initial training to our satisfaction, we will require you or a designee approved by us to attend additional training at your expense at a cost of \$250 per person per day. If we determine, in our sole judgment, that your Principal Owner (or a successor Principal Owner that you appoint) cannot complete the initial training to our satisfaction, then we may terminate your Franchise Agreement. If we determine that you or your Operations Manager has failed to satisfactorily complete the training program, you agree to immediately hire a substitute and promptly arrange for such person to complete the training program to our satisfaction. You must pay the per diem additional training fee for training programs furnished to individuals who replace a manager or employee who has previously attended the training program. You are responsible for all travel and living expenses.

There is no minimum period of time after signing the Franchise Agreement or before opening that training must be completed. However, you must successfully complete training before opening. We expect to offer training quarterly, but that may vary based upon demand.

We may require you and/or your previously trained and experienced employees to attend up to 4 days of additional or refresher training courses each year and a 2 to 3 day annual meeting or convention per year at the times and locations we designate. We may charge a fee of up to \$500 per franchise for these courses, conventions and programs. You are responsible for all travel and living expenses.

(Franchise Agreement Section 2(D)).

We estimate that it will be approximately between 30 to 60 days between your signing the Franchise Agreement and opening your Business, for a facility you are converting to a Majestic Home. Should you construct a new Home, you will have 365 days from execution of the Franchise Agreement until opening. If you remodel an existing home, you will have up to 180 days from execution of the Franchise Agreement to open. The timing depends on a variety of factors, including: (i) completing training; (ii) required construction or modifications to the Home (iii) obtaining insurance and all required licenses and permits; and (iv) complying with local laws and regulations.

You may not open your Majestic Residences Business for business until: (i) you and/or your designated personnel have completed pre-opening training to our satisfaction; (ii) you have paid all amounts due to us and our designated and approved vendors; (iii) you have obtained all required licenses and permits to operate your Business; and (iv) you have given us copies of all insurance policies and evidence of coverage and premium payment. If a franchisee has been unable to open in the required time period due to these factors but is diligently attempting to comply with their opening obligations, it is our practice to grant additional time to open in our sole discretion.

ITEM 12

TERRITORY

Identification and Description of Territory

At the time you sign the Franchise Agreement or prior to our approval of your proposed location, we will determine and include on Exhibit A of your Franchise Agreement a geographic territory (your Territory"). The Territory will be two times the distance required by your local required minimum distance separating assisted care facilities from the location of your Home. Your marketing efforts need not be focused solely in your Territory. Nevertheless, for conversion franchises there is no exclusive territory other than what is required by state or local regulation.

Exclusive Rights

So long as you comply with the Franchise Agreement (and except as provided below), your Territory will be exclusive, subject to the limitations described below in the Section entitled "Limitations on Exclusive Rights." By "exclusive," we mean that neither we nor our affiliates will establish, or grant rights to other persons to establish, another Majestic Residences Business, the physical premises of which is located within your Territory. You are allowed to open additional homes within your territory, if it is within the limitation of your individual state regulations.

Limitations on Your Ability to Solicit Clients

You may solicit from outside your Territory so long as you are not in default of your Franchise Agreement or any other agreement.

Limitations on Exclusive Rights; Other Systems of Distributions

We (and any affiliates that we might have from time to time) may engage in any activities we deem appropriate that are not expressly prohibited by the Franchise Agreement, whenever and wherever we desire. We may open additional company or affiliate owned Majestic Residences Businesses that operate under the Marks as long as they are not located in your Territory. Although we have no current plans to do so, we have the right to establish and operate similar or competitive businesses and grant rights to other persons to establish and operate similar or competitive businesses, on any terms and conditions we deem appropriate and at any locations (including within your Territory if the businesses are not operating under Majestic Residences). We reserve the right to use other channels of distribution, including the Internet, within your territory using our principal trademarks, and without any compensation to you.

Currently, neither we nor any affiliate of ours intends to operate or franchise another business under a different trademark that sells services similar to the services offered at a Majestic Residences Business. However, we reserve the right to do so in the future.

We also reserve the right to acquire, or be acquired by, one or more businesses or chains that may sell competitive or identical services (whether through company locations, licenses or franchises). If we acquire a competitive business, the acquired business's locations may be

converted into Majestic Residences Businesses operating under the Marks regardless of their location, including within your Territory. Alternatively, we may allow the businesses to operate under different trademarks, including within your Territory. Similarly, if we are acquired by a competitive business, the acquiring business's locations may be located and operate within your Territory, regardless of whether they operate under the Marks or under different trademarks.

Minimum Performance Requirements

In order to maintain your franchise, and not be in default, your gross revenues per month each month commencing in Month 13, will need to be a minimum of \$15,000 per month. If you do not meet the minimum performance requirements, your franchise will be in default and we may choose in our sole discretion to terminate your franchise.

ITEM 13
TRADEMARKS

We were granted the following registered trademarks on the United States Patent and Trademark Office Principal Register:

MARK	REGISTRATION NUMBER	REGISTRATION DATE
	6,196,278 (Class 44)	November 10, 2020
Majestic Residences	6,196,279 (Class 44)	November 10, 2020
	6,594,752 (Class 43)	December 21, 2021
Majestic Residences	6,594,623 (Class 43)	December 21, 2021
WELCOME H.O.M.E. TO AGLESS POSSIBILITIES	6,597,500 (Class 43)	December 21, 2021

We applied to register the following trademarks on the Principal Register at the United States Patent and Trademark Office based on an intent to use:

MARK	SERIAL NUMBER	APPLICATION DATE
WE THINK OUTSIDE THE BIG BOX	97/137,914 (Class 43)	November 22, 2021

We do not have a federal registration for the Mark above. Therefore, this Mark does not have many legal benefits and rights as a federally registered trademark. If our right to use this Mark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

All required affidavits have been filed.

On October 20, 2020, a Trademark Assignment was recorded with the United States Patent and Trademark Office ("USPTO") assigning the Marks from Chuck Bongiovanni to Majestic Residences IP Holdings, LLC, an Arizona limited liability company.

On October 21, 2020, we entered into an Intellectual Property License Agreement (the "License Agreement") (attached as Exhibit H) with Majestic Residences IP Holdings, LLC. Under the terms of the License Agreement, Majestic Residences IP Holdings, LLC granted us the right to use the Marks in the Majestic Residences System and to sublicense the Marks to our franchisees. The term of the License Agreement automatically renews annually, unless it is terminated in accordance with its terms. Majestic Residences IP Holdings, LLC is permitted to terminate the License Agreement only if we declare bankruptcy or become insolvent or if we and Majestic Residences IP Holdings, LLC mutually agree to terminate the License Agreement. If the License Agreement is terminated, the agreement states that all sublicenses granted by us to our franchisees will continue in full force and effect until the expiration or termination of the applicable franchise agreement. Except as discussed above, no agreements limit our right to use or sublicense the use of the Marks.

You must follow our rules when you use the Marks. You may not use the Marks: (i) in your corporate or legal business name; (ii) with any prefix, suffix or other modifying words, terms, designs, or symbols (except for those we license to you); (iii) in selling any unauthorized services; (iv) as part of any domain name, electronic address, metatag or otherwise in connection with a Website without our consent; (v) in any other way we have not expressly authorized in writing.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the principal Mark. No agreement significantly limits our right to use or license the Marks. We do not know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

You must notify us immediately of any actual or apparent infringement of or challenge to your use of any Mark, or of any person's claim of any rights in the Marks, and you may not communicate with any person other than us and our attorneys, and your attorneys, regarding any infringement, challenge or claim. We may take the action that we deem appropriate (including no action) and control exclusively any litigation, USPTO proceeding or other administrative proceeding from the infringement, challenge or claim, or otherwise concerning the Marks. You must assist us in protecting and maintaining our interests in the Mark and any litigation or USPTO or other proceeding.

If it becomes advisable at any time for us and/or you to modify or discontinue using the Marks, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your expenses in complying with these directions (such as costs to change signs or replace supplies), for any loss of revenue due to any modified or discontinued Marks, or for your expenses of promoting a modified or substitute trademark or service mark.

We will reimburse you for all damages and expenses you incur in any trademark infringement proceeding disputing your authorized use of the Marks if you have timely notified us of the proceeding, complied with the Franchise Agreement, and complied with our directions in

responding to the proceeding. Upon termination of the Franchise Agreement for any reason, you must stop using the Marks in any manner.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or patent applications are material to the franchise. We claim copyrights in the Manual (which contains our trade secrets), advertising and promotional materials, posters, signs and similar items used in operating a Majestic Residences Business. We may also claim copyrights in all or a part of the Marks, Computer System components, design elements of the interior of a Majestic Home and other portions of the franchise system. We have not registered these copyrights but need not do so at this time. You may use these items only as we specify while operating your Business. We own all rights to these copyrighted materials, even if you prepare them, and you may not use any adaptation or derivative of any copyrighted materials without our approval.

There currently are no effective adverse determinations of the USPTO, the Copyright Office (Library of Congress), or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the copyrighted materials.

We need not protect or defend copyrights, although we intend to do so if in our system's best interest. We may control any litigation or administrative proceeding involving copyrights. We need not participate in your defense or indemnify you for damages or expenses in a proceeding involving a copyright. We may require you to modify or discontinue using copyrighted materials and need not reimburse you for any costs you incur. Upon termination of the Franchise Agreement for any reason, you must stop using the copyrighted materials in any manner.

Our Manual and other materials contain our confidential information. This information includes: (i) methods, formats, specifications, standards, systems, business policies, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Majestic Residences Businesses; (ii) marketing research and advertising, marketing and promotional programs for Majestic Residences Businesses; (iii) knowledge of specifications, suppliers and methods of ordering, for certain equipment, materials, and supplies; (iv) knowledge of the operating results and financial performance of Majestic Residences Businesses other than your Business; (v) graphic designs and related intellectual property; (vii) any other information periodically contained in your Computer System; and (viii) any other information we designate as confidential or proprietary.

You may not use any confidential information in any other business or capacity, whether during or after the term of the Franchise Agreement. You must keep all confidential information absolutely confidential during and after the term of the Franchise Agreement, may not use our confidential information in an unauthorized manner, and may not make any unauthorized copies of any confidential information. You may not sell, trade or otherwise profit in any way from our confidential information except during the Franchise Agreement's term using methods we approve. You must take reasonable steps to prevent improper disclosure of our confidential

information to others, and you must use non-disclosure agreements with those having access to our confidential information. We may regulate the form of non-disclosure agreement that you use and we will be a third party beneficiary of that agreement with independent enforcement rights. Our current recommended form of Confidentiality Agreement is attached to this Disclosure Document as Exhibit K.

Confidential information does not include information, knowledge or know-how which is or becomes generally known in the industry or which you knew from previous business experience before we provided it to you or before you began franchise training or operating your Business. Anyone who claims something as not Confidential Information must prove the validity of the cause for exclusion.

You must promptly disclose to us all ideas, concepts, techniques or materials you create or develop relating to a Majestic Residences Business. They will become our property and you must sign the documents we request and otherwise help us obtain intellectual property rights in them.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must designate one of your owners to serve as the "Principal Owner." The Principal Owner must hold at least 50% ownership interest in the franchise (or the franchisee entity if the franchise is owned by an entity) and successfully complete our initial training program (see Item 11). Owners with 20% or more ownership must sign the Franchise Agreement.

You may, with our permission (and in our sole discretion) after a period of successful management by you as owner delegate to a general manager (the "Operations Manager") of your Majestic Residences Business. The Principal Owner may serve as the Operations Manager, but we do not require that the Operations Manager have an ownership interest in the franchise. The Operations Manager will exert sufficient efforts to fulfill your obligations under the Franchise Agreement and will not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility or time commitments, or that may otherwise conflict with your obligations under the Franchise Agreement. If the relationship of the Operations Manager to you terminates or materially changes, you agree to promptly designate a replacement Operations Manager, and the Principal Owner must assume all of the obligations of the Operations Manager during the interim period. The initial Operations Manager must successfully complete our initial training program before your Majestic Residences Business opens for business. Any replacement Operations Manager must complete our initial training program before engaging in any business pertaining to your Majestic Residences Business. You must pay the charges that we establish for training programs furnished to any individual who replaces a previously trained Operations Manager. System Standards may regulate your Business' staffing levels and employee qualifications, training, dress and appearance, and we can require the Operations Manager and other employees having access to our confidential information to sign Confidentiality Agreements. (See Item 14.). Our current form of recommended Confidentiality

Agreement is attached as Exhibit K. Any subsequent training required during the Term or any successor term must be completed successfully by the Operations Manager.

As noted in Item 1, if you are a business entity such as a corporation or limited liability company, you will be personally bound by, and liable for the breach of, every contractual provision of the Franchise Agreement. If you are a corporation, each shareholder and spouse must sign the guaranty and assumption of obligations; if you are a partnership, each general partner and spouse must sign the guaranty and assumption of obligations; and if you are a limited liability company, each member and manager and spouse must sign the guaranty and assumption of obligations.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may not offer or perform any services that we have not authorized. Our System Standards may regulate required and authorized services and service categories. We periodically may change required and/or authorized services and service categories to the needs of clients in your Territory. There are no limits on our right to do so. You may not sell any services through any channel of distribution outside of your Territory. You must discontinue selling and offering for sale any services that we at any time disapprove in writing. We reserve the right to establish maximum and/or minimum prices for services that your Business offers, and if we do, you must charge the price that we establish.

Currently, we are commencing a program that will enable you to offer residents of your Home the opportunity to travel with their family(ies) to the Dominican Republic and to have your residents housed on a temporary basis at a Home of one of our franchisees, provided that there is availability. You agree to participate and advertise that opportunity as we direct. Further, you agree to share revenues with the Dominican Republic franchisees during the period that they are providing services to your residents. The details pertaining to the revenue split and royalty obligations between you and the Dominican franchisee shall be detailed within our Operations Manual.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN AGREEMENT ("FA" – FRANCHISE AGREEMENT)	SUMMARY
(a) Length of franchise term	FA: Section 1(B)	5 years from date of execution

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN AGREEMENT ("FA" – FRANCHISE AGREEMENT)	SUMMARY
(b) Renewal or extension of the term	FA: Sections 13(A), 17(N)	If you are in good standing, and meet other requirements, you may acquire up to 3 successor franchise terms of 5 years each under our then current terms.
(c) Requirements for you to renew or extend	FA: Sections 1(B), 13(A), 13(B), 13(C)	You must sign a general release (except as otherwise disclosed in the riders attached to this Disclosure Document), pay a successor fee and sign our then current form of Franchise Agreement, which may contain materially different terms and conditions than the original Franchise Agreement. In addition, you may not renew or extend if we have given you notice of our intent to withdraw from the market that you service under your franchise.
(d) Termination by you	FA: Section 14	You can terminate only if we failed to cure a material default within the cure period
(e) Termination by us without cause	FA: Not Applicable	Not Applicable
(f) Termination by us with cause	FA: Section 14	We may terminate only if you or your owners' default.
(g) "Cause" defined – curable defaults	FA: Section 14	You have 60-365 days, depending on the status of the Home we approve to open business; and 30 days to cure operational defaults, attachment of property, appointment of receiver, and other defaults not listed in (h) below. At any time you are in material default we may suspend the performance of our obligations under the Franchise Agreement and advise your residents of the change in status of your Home

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN AGREEMENT ("FA" – FRANCHISE AGREEMENT)	SUMMARY
(h) "Cause" defined – non-curable defaults	FA: Section 14	Non-curable defaults include failure to complete initial training satisfactorily; abandonment; loss of any required licensing; unapproved transfers; material misrepresentations or omissions; conviction of a felony; failure to maintain insurance; dishonest, unethical or illegal conduct; interference with inspections; unauthorized use or disclosure of the Manual or confidential information; unauthorized use of Marks or Copyrights; failure to pay taxes; understating Gross Revenues; loss of a necessary license or permit; repeated defaults (even if cured).
(i) Your obligations on termination/nonrenewal	FA: Section 15	Obligations include paying outstanding amounts; complete de-identification; assigning telephone and other numbers, domain names, and Websites; and returning and stopping use of confidential information and other intellectual.
(j) Assignment of contract by us	FA: Section 12	No restriction on our right to assign; we may assign without your approval.
(k) "Transfer" by you –defined	FA: Section 12(C)	Includes transfer of Franchise Agreement, sale of Business's assets, ownership change or any pledge, mortgage, encumbrance, or assignment by operation of law.
(l) Our approval of transfer by you	FA: Sections 12(C), 12(D)	No transfer without our prior written consent.

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN AGREEMENT ("FA" – FRANCHISE AGREEMENT)	SUMMARY
(m) Conditions for our approval of transfer	FA: Section 12(D)	New franchisee and its owners: (i) meet our qualifications, (ii) complete training, (iii) sign the then-current franchise agreement and related documents (and owners of franchisee that is an entity sign personal guarantees); and (iv) bring business into compliance with current System Standards. You and your owners: (i) are in compliance with your contractual obligations; (ii) pay us and third-party vendors all amounts due; (iii) sign release (except as otherwise disclosed in the riders attached to this Disclosure Document); (iv) pay transfer fee (unless paid by purchaser); and (v) subordinate amounts due from purchaser. We: (i) approve material terms; (ii) approve new franchisee and owner.
(n) Our right of first refusal to acquire your business	FA: N/A	N/A
(o) Our option to purchase your business	FA: N/A	N/A
(p) Your death or disability	FA: Section 12(F)	Franchise Agreement (or ownership interest in business entity franchisee) must be assigned to approved party within 9 months.
(q) Non-competition covenants during the term of the franchise	FA: Section 7	No diverting business; no owning interest in, loaning money to, or performing services for, competitive business anywhere ("competitive business" means any business that develops or constructs and operates group residential living facilities);
(r) Non-competition covenants after the franchise is terminated or expires	FA: Not Applicable	N/A

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTION IN AGREEMENT ("FA" – FRANCHISE AGREEMENT)	SUMMARY
(s) Modification of the agreement	FA: Sections 17(K), 17(L)	No modifications without signed writing, but we may change Manual and System Standards at any time. We may also unilaterally reduce the scope of any restrictive covenant imposed on you or your owners.
(t) Integration/merger clause	FA: Section 17(K)	Only the terms of Franchise Agreement and attachments to the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document, Franchise Agreement and attachments to the Franchise Agreement may not be enforceable.
(u) Dispute resolution by mediation	FA: Section 17(G)	Except for certain claims, we and you must first mediate and, if not resolved by mediation, all disputes (except as otherwise disclosed in the riders attached to this Disclosure Document) must be litigated.
(v) Choice of forum	FA: Section 17(H)	All disputes must be brought in the county in which our principal place of business is located at the time the dispute arises (currently Maricopa County, Arizona), except as otherwise disclosed in the riders attached to this Disclosure Document. If your state law prohibits us from restricting venue to a forum outside your state, then the parties may bring an action either in the county in which our principal place of business is located or in your home state (except as otherwise disclosed in the riders attached to this Disclosure Document).
(w) Choice of law	FA: Section 17(A)	Arizona law governs (except as otherwise disclosed in the riders attached to this Disclosure Document).

Applicable state law might require additional disclosures related to the information contained in this Item 17. These additional disclosures, if any, appear in Exhibit I.

ITEM 18

PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting us at (877) 777-7916 or www.majesticresidences.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

We were organized as a Delaware limited liability company on July 13, 2020, and started offering franchises on the date of this disclosure document. We have no franchise history to report before that date. .

Table No. 1
Systemwide Outlet Summary
For Years 2020 to 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	0	0	0
	2021	0	6	+6
	2022	6	7	+1
Company- Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	0	0	0
	2021	0	6	+6
	2022	6	7	+1

NOTES:

1. Our fiscal year ends on December 31. All references to years in these tables refers to the calendar end of that year. The outlets listed in this table only refer to outlets that are open on the relevant date.
2. By "company-owned" we mean Business Home owned by us or our affiliates.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2020 to 2022

State	Year	Number of Transfers
All States	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

NOTES:

1. Our fiscal year ends on December 31. All references to years in these tables refers to the calendar end of that year. The outlets listed in this table only refer to outlets that are open on the relevant date.

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

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Arizona	2020	0	0	0	0	0	0	0
	2021	0	5	0	0	0	1	4
	2022	0	4	0	0	0	0	4
Indiana	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Kansas	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	0	0	0	0	0	1	0
Texas	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
Totals	2020	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Arizona	2020	0	0	0	0	0	0	0
	2021	0	5	0	0	0	1	4
	2022	0	4	0	0	0	0	4
Indiana	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Kansas	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	0	0	0	0	0	1	0
Texas	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2021	0	7	0	0	0	1	6
	2022	6	2	0	0	0	1	7

NOTES:

1. Our fiscal year ends on December 31. All references to years in these tables refers to the calendar end of that year. The outlets listed in this table only refer to outlets that are open on the relevant date.

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

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Total: All States	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

NOTES:

1. Our fiscal year ends on December 31. All references to years in these tables refers to the calendar end of that year. The outlets listed in this table only refer to outlets that are open on the relevant date.

2. By "company-owned" we mean Business Home owned by us or our affiliates.

Table No. 5

Projected Openings As of Fiscal Year End December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In the Next Fiscal Year (2023)	Projected New Company-Owned Outlet In the Current Fiscal Year (2023)
Arizona	3	3	0
California	2	2	0
Colorado	0	0	0
Connecticut	1	1	0
Florida	1	1	0
Georgia	2	2	0
Hawaii	0	0	0
Illinois	0	0	0
Indiana	0	0	0
Kansas	0	0	0
Louisiana	0	0	0
Maryland	1	1	0
Michigan	0	0	0
Missouri	0	0	0
Nevada	0	0	0
North Carolina	1	1	0
Ohio	0	0	0
Oregon	1	1	0
Pennsylvania	0	0	0
Tennessee	1	1	0
Texas	3	3	0
Utah	0	0	0
Virginia	1	1	0
Washington	0	0	0
Wisconsin	0	0	0
Totals	17	17	0

NOTES:

1. By "company-owned" we mean Business Home owned by us or our affiliates.

The name, business address, and business telephone number of each current franchisee on December 31, 2022, are listed on Exhibit E.

The name, city and state, and current business telephone number (or, if unknown, the last known home telephone number) of the franchisee who has had a Majestic Residences franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement and who has left the system during the most recently completed

fiscal year, or has not communicated with us within ten (10) weeks of December 31, 2021 is listed on Exhibit E.

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

We are not offering any existing franchised outlets to prospective franchisees, including those that either have been reacquired by us or are still being operated by current franchisees pending a transfer. If we begin to offer any such outlet, specific information about the outlet will be provided to you in a separate supplement to this disclosure document.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

There are no (i) trademark-specific franchisee organizations associated with the franchise system being offered that we have created, sponsored or endorsed; or (ii) independent franchisee organizations that have asked to be included in this disclosure document.

There are no independent franchisee organizations that have asked to be in this disclosure document.

ITEM 21

FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit A are our audited initial opening financial statements dated, September 4, 2020, our audited financial statements as of December 31, 2020, our audited financial statements as of December 31, 2021, our audited financial statements as of December 31, 2022, and unaudited financial statements as of September 30, 2023.

ITEM 22

CONTRACTS

Attached to this disclosure document (or the Franchise Agreement attached to this disclosure document) are copies of the following franchise and other contracts or agreements:

DISCLOSURE DOCUMENT:

EXHIBIT C	Franchise Agreement
EXHIBIT D	Guaranty
EXHIBIT I	State-Specific Additional Disclosures and Riders
EXHIBIT K	Confidentiality Agreement

FRANCHISE AGREEMENT:

EXHIBIT B	ACH Authorization Form
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ITEM 23
RECEIPTS

Our and your copies of the Franchise Disclosure Document Receipt are the last two (2) pages of this Disclosure Document, Exhibit N.

EXHIBIT A
TO MAJESTIC RESIDENCES DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

[See Attached]

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Majestic Residences Franchise Systems LLC

10/17/23

Balance Sheet

Accrual Basis

As of September 30, 2023

	Sep 30, 23
ASSETS	
Current Assets	
Checking/Savings	
Chase - Checking - 9357	45,587.20
Total Checking/Savings	45,587.20
Accounts Receivable	
Accounts Receivable	3,371.97
Total Accounts Receivable	3,371.97
Other Current Assets	
Due to/from Majestic Funding Pa	150.27
Inventory	1,615.00
PrePaid Expense	3,982.38
PrePaid Insurance	1,403.00
Income Receivable	12,764.05
Allowance for Doubtful Accounts	-5,000.00
Total Other Current Assets	14,914.70
Total Current Assets	63,873.87
Fixed Assets	
Contract Cost Assets	16,667.00
Trademarks	15,442.00
Work In Process - Trademarks	-7,000.00
Accumulated Amortization	-3,694.00
Total Fixed Assets	21,415.00
TOTAL ASSETS	85,288.87
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Deferred Revenue	29,233.00
Contract Liability	44,500.00
Accrued Payroll	22,307.00
Accrued Expenses	2,951.00
Total Other Current Liabilities	98,991.00
Total Current Liabilities	98,991.00
Total Liabilities	98,991.00
Equity	
Partner's Capital	
C. Bongiovanni	-5,146.45
E. Guarino	-5,145.15
Total Partner's Capital	-10,291.60
Draws	
Chuck Bongiovanni Draws	55,538.16
Gene Guarino Draws	46,313.50
Total Draws	101,851.66
Paid In Capital	
Gene Guarino Capital	20,000.00
Chuck Bongiovanni Capital	20,000.00
Total Paid In Capital	40,000.00
Net Income	-145,262.19

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Majestic Residences Franchise Systems LLC

10/17/23

Balance Sheet

Accrual Basis

As of September 30, 2023

	Sep 30, 23
Total Equity	-13,702.13
TOTAL LIABILITIES & EQUITY	85,288.87

**MAJESTIC RESIDENCES
FRANCHISE SYSTEMS, LLC**

**FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED
DECEMBER 31, 2022, 2021
AND FOR THE PERIOD OF INCEPTION
(JULY 31, 2020)
TO DECEMBER 31, 2020**

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Balance Sheets.....	3
Statements of Operations.....	4
Statement of Changes in Members' Equity.....	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7 - 14

INDEPENDENT AUDITORS' REPORT

To The Members
Majestic Residences
Franchise Systems, LLC
Las Vegas, Nevada

Opinion

We have audited the accompanying financial statements of Majestic Residences Franchise Systems, LLC (A Delaware Limited Liability Company), which comprise the balance sheets as of December 31, 2022, 2021 and 2020 the related statements of operations, changes in members' equity, and cash flows for the years ended December 31, 2022, 2021 and for the period from inception (July 13, 2020) to December 31, 2020, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Majestic Residences Franchise Systems, LLC as of December 31, 2022, 2021 and 2020, and the results of its operations and its cash flows for the years ended December 31, 2022, 2021 and for the period from inception (July 13, 2020) to December 31, 2020 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Majestic Residences Franchise Systems, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Baldwin Moffitt Behm LLP
CERTIFIED PUBLIC ACCOUNTANTS
Scottsdale, Arizona

April 15, 2023

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
BALANCE SHEETS
DECEMBER 31, 2022, 2021, AND 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 131,149	\$ 184,326	\$ 187,183
Accounts receivable, net of allowance for doubtful accounts	17,836	32,480	-
Franchise fee receivable	-	22,500	-
Prepaid expenses	4,175	10,361	5,090
Contract costs asset	16,667	47,000	-
Supplies inventory	<u>1,615</u>	<u>1,615</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>171,442</u>	<u>298,282</u>	<u>192,273</u>
OTHER ASSETS			
Intangible assets, net of amortization			
Software	3,306	5,639	-
Trademarks	8,442	4,479	-
Trademarks - work in process	<u>-</u>	<u>3,752</u>	<u>-</u>
TOTAL OTHER ASSETS	<u>11,748</u>	<u>13,870</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 183,190</u></u>	<u><u>\$ 312,152</u></u>	<u><u>\$ 192,273</u></u>
LIABILITIES AND MEMBERS' EQUITY			
CURRENT LIABILITIES			
Accrued liabilities	\$ 25,257	\$ 44,591	\$ 8,000
Contract liability	44,500	129,000	-
Deferred revenue	29,233	-	-
Accrued wages and payroll taxes	<u>37,882</u>	<u>22,307</u>	<u>2,552</u>
TOTAL CURRENT LIABILITIES	<u>136,872</u>	<u>195,898</u>	<u>10,552</u>
MEMBERS' EQUITY	<u>46,318</u>	<u>116,254</u>	<u>181,721</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 183,190</u></u>	<u><u>\$ 312,152</u></u>	<u><u>\$ 192,273</u></u>

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

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
 STATEMENTS OF OPERATIONS
 FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND
 FOR THE PERIOD FROM INCEPTION (JULY 13, 2020)
 TO DECEMBER 31, 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
REVENUE, NET OF REFUNDS	\$ 483,729	\$ 105,244	\$ -
OPERATING EXPENSES			
Advertising	57,489	22,665	10,656
Amortization	2,122	1,572	-
Bad debt expense	-	5,000	-
Referral Commissions	35,000	-	-
Education	24,136	8,668	5,931
Entertainment	3,181	3,016	832
Franchise costs	50,462	29,305	4,143
Guaranteed Payments	7,000	-	-
Insurance	11,243	11,201	1,685
Office expenses	23,571	10,103	1,170
Professional services	43,734	56,266	63,710
Salaries and benefits	293,233	250,287	25,559
Supplies	-	2,156	-
Technology	40,356	19,432	4,593
Travel	2,138	1,040	-
TOTAL OPERATING EXPENSES	<u>593,665</u>	<u>420,711</u>	<u>118,279</u>
NET LOSS	<u>\$ (109,936)</u>	<u>\$ (315,467)</u>	<u>\$ (118,279)</u>

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

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND
FOR THE PERIOD FROM INCEPTION (JULY 13, 2020)
TO DECEMBER 31, 2020

BALANCE, JULY 13, 2020	\$ -
Members' Capital Contributions	300,000
Net (loss) for the period from inception (July 13, 2020) to December 31, 2020	<u>(118,279)</u>
BALANCE, DECEMBER 31, 2020	181,721
Members' Capital Contributions	250,000
Net (loss) for the year	<u>(315,467)</u>
BALANCE, DECEMBER 31, 2021	116,254
Members' Capital Contributions	40,000
Net (loss) for the year	<u>(109,936)</u>
BALANCE, DECEMBER 31, 2022	<u>\$ 46,318</u>

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

- 5 -

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND
FOR THE PERIOD FROM INCEPTION
(JULY 13, 2020) TO DECEMBER 31, 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss)	\$ (109,936)	\$ (315,467)	\$ (118,279)
Adjustments to reconcile net (loss)			
to net cash used in operating activities:			
Amortization	2,122	1,572	-
Changes in allowance for doubtful accounts	-	5,000	-
Changes in operating assets and liabilities:			
Accounts receivable	14,644	(37,480)	-
Franchise fee receivable	22,500	(22,500)	-
Prepaid expenses	6,186	(5,271)	(5,090)
Contract costs asset	30,333	(47,000)	-
Supplies inventory	-	(1,615)	-
Accrued liabilities	(19,334)	36,591	8,000
Contract liability	(84,500)	129,000	-
Deferred revenue	29,233	-	-
Accrued wages and payroll taxes	15,575	19,755	2,552
NET CASH USED IN OPERATING ACTIVITIES	<u>(93,177)</u>	<u>(237,415)</u>	<u>(112,817)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets	-	(15,442)	-
NET CASH USED IN INVESTING ACTIVITIES	<u>-</u>	<u>(15,442)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Members' contributions	40,000	250,000	300,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>40,000</u>	<u>250,000</u>	<u>300,000</u>
NET (DECREASE) INCREASE IN CASH	(53,177)	(2,857)	187,183
CASH, BEGINNING OF YEAR	184,326	187,183	-
CASH, END OF YEAR	<u>\$ 131,149</u>	<u>\$ 184,326</u>	<u>\$ 187,183</u>

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

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND
FOR THE PERIOD FROM INCEPTION
(JULY 13, 2020) TO DECEMBER 31, 2020

NOTE 1 ORGANIZATION

Majestic Residences Franchise Systems, LLC (Company) was organized under the laws of the state of Delaware on July 13, 2020. The Company offers franchises for the use of the Majestic Residences Franchise Systems, LLC trademark, trade name, services mark and logos in the operation of Majestic Residences Franchise Systems, LLC franchises, which deliver non-medical care in a group residential home setting that is performed by trained caregivers. The company began selling franchises throughout the United States in January 2021.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented on the accrual basis of accounting.

Limited Liability Company

The Company is a Limited Liability Company. Therefore, the members are not personally liable for the debts, obligations, or liabilities of the Company.

The period of duration for the Company is perpetual.

Accounting Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Accounts Receivable

The Company grants credit to its customers in the normal course of business. Accounts receivable is recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts to cover potential credit losses relating to its accounts receivable. Management determines the adequacy of the allowance based on historical write-off percentages and information collected from individual franchises. Accounts receivable is charged off against the allowance when collectability is determined to be permanently impaired (bankruptcy, lack of contact, age of account balance, etc.).

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND
FOR THE PERIOD FROM INCEPTION
(JULY 13, 2020) TO DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

The Company provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts.

Revenue Recognition

The Company's primary sources of revenue are as follows:

For those services where the Company's performance obligation is satisfied over time, revenue is recognized as follows:

Franchise fees generated from the sale of new franchises by granting rights to use the Company's intellectual property are recognized over the term of the franchise agreement.

Area development/master license agreements are recognized over the term of the master license agreements on a straight-line basis.

For those services where the Company's performance obligation is satisfied at a point in time, and for which there is no ongoing obligation, revenue is recognized as follows:

Site selection, training, inspecting, quality control, information technology and advisory services represent a set of integrated services and are considered pre-opening services provided to a franchisee. The company has elected to account for pre-opening services as a single performance obligation, distinct from the franchise license. Revenue is recognized when these performance obligations are completed. Management uses their professional judgment to determine the progress toward completion of their performance obligation.

Royalties are based on a percentage of gross sales as reported by the franchisees and are recognized monthly based upon the time the franchisee collects revenue for their services.

Inventory sales, technology and administrative fees are recognized when the performance obligations are satisfied.

The Company has elected to apply practical expedients in which they can disregard the impact to the transaction price of the effects of a significant financing component for arrangements where the Company expects the period between delivery of the service and customer payment to be one year or less and it can recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period for the asset that the Company otherwise would have recognized is one year or less.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND
FOR THE PERIOD FROM INCEPTION
(JULY 13, 2020) TO DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

For the purpose of the statements of cash flows, the Company considers unrestricted currency, demand deposits, money market accounts, and all highly liquid debt instruments purchased with original maturities of ninety days or less to be cash.

Inventory

Inventory consists of sundries available for sale to the franchisees and are valued at the lower of cost (first-in, first-out method) or net realizable value.

Contract costs asset

The Company recognizes incremental costs of obtaining a contract as an asset if they are expected to be recoverable, unless their amortization period would be less than one year, in which case they are expensed as incurred. The costs are amortized to operating expenses as the performance obligations are completed.

Trademarks and intangible assets

Amortizable intangible assets with a definite life are generally amortized on a straight-line basis over the life of the asset. The costs to periodically renew the intangible assets are expensed as incurred. Trademarks can be renewed every ten years, therefore, they are not amortized; however, they are tested for impairment.

The Company tests long-lived assets, including amortizable intangible assets, for impairment whenever events or changes in circumstances (triggering events) indicate that the carrying amount may not be recoverable. Once a triggering event has occurred, the impairment test employed is based on whether the intent is to hold the asset for continued use or to hold the asset for sale. The impairment test for assets held for use requires a comparison of cash flows expected to be generated over the useful life of an asset group to the carrying value of the asset group.

The Company amortizes software on a straight-line method over 3 years.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND
FOR THE PERIOD FROM INCEPTION
(JULY 13, 2020) TO DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The financial statements do not include a provision for income taxes because the Company has elected to be taxed as a partnership for federal and state income taxes. Net income (loss) is included in the members' income tax returns.

The Company adopted the accounting principles for uncertainty in income tax guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Company's income tax filings are subject to audit by various taxing authorities. The open audit years are 2022, 2021 and 2020.

Compensated absences

The Company's paid-time-off policy allows employees unlimited time off. Therefore, there are no compensated absences to report at December 31, 2022, 2021 or 2020.

Subsequent Events

Management has evaluated subsequent events through April 15, 2023, which is the date the financial statements were available to be issued.

NOTE 3 CONCENTRATION OF RISK

Cash

Financial instruments that potentially subject the Company to a concentration of credit risk are cash. The Company maintains its day-to-day operating cash balances in a non-interest-bearing account. Although the Company at times maintains balances that exceed amounts insured by the Federal Deposit Insurance Corporation, it has not experienced any losses related to these balances and management believes the credit risk to be minimal.

Revenue

During the year ended December 31, 2022, revenue generated by one franchisee made up approximately 36% of the Company's revenue.

During the year ended December 31, 2021, revenue generated by two franchisees made up approximately 32% of the Company's revenue.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND
FOR THE PERIOD FROM INCEPTION
(JULY 13, 2020) TO DECEMBER 31, 2020

NOTE 3 CONCENTRATION OF RISK (CONTINUED)

Franchisee sales

The Company's activities are subject to risk and uncertainties as a majority of the franchises that have been sold have not commenced operations, which has a direct effect on the revenue generated by the Company.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2022	2021	2020
Accounts Receivable	\$ 22,836	\$ 37,480	\$ -
Less allowance for doubtful accounts	(5,000)	(5,000)	-
Balance	<u>\$ 17,836</u>	<u>\$ 32,480</u>	<u>\$ -</u>

Accounts receivable over 90 days were \$7,990, \$13,165, and \$0 at December 31, 2022, 2021 and 2020 respectively.

NOTE 5 FRANCHISE FEE RECEIVABLE

Franchise fee receivable in the amount of \$22,500, represents franchise agreements that were signed in December 2021, but paid for in January 2022.

NOTE 6 INTANGIBLE ASSETS - TRADEMARK

Intangible assets, which consists of trademarks, are reported at carrying value and are not required to be measured at fair value on a recurring basis. However, on an annual basis, or whenever events or changes in circumstances indicate that their carrying value may not be recoverable, intangible assets are assessed for impairment. If applicable, the carrying values are written down to fair value.

In connection with the Company's impairment reviews performed in 2022, no material fair-value adjustments were required.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND
FOR THE PERIOD FROM INCEPTION
(JULY 13, 2020) TO DECEMBER 31, 2020

NOTE 7 INTANGIBLE ASSETS - SOFTWARE

A summary of the intangible assets - software is as follows as of December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Website design	\$ 7,000	\$ 7,000	\$ -
Less accumulated amortization	<u>(3,694)</u>	<u>(2,521)</u>	<u>-</u>
Total intangible assets - software	<u>\$ 3,306</u>	<u>\$ 4,479</u>	<u>\$ -</u>

Amortization expense for the years ending December 31, 2022, 2021 and for the period from inception (July 13, 2020) to December 31, 2020 was \$2,122, 1,572 and \$0, respectively.

Amortization expense for the years ending December 31, are as follows:

2023	\$ 2,333
2024	<u>973</u>
	<u>\$ 3,306</u>

NOTE 8 CONTRACT LIABILITY

The contract liability represents the Company's obligation to transfer goods or services to their new franchisees. The amount of the contract liability was:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contract liability, Beginning of year	\$ 129,000	\$ -	\$ -
Change for the year	<u>(84,500)</u>	<u>129,000</u>	<u>-</u>
Contract liability, End of year	<u>\$ 44,500</u>	<u>\$ 129,000</u>	<u>\$ -</u>

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND
FOR THE PERIOD FROM INCEPTION
(JULY 13, 2020) TO DECEMBER 31, 2020

NOTE 9 DISAGGREGATION OF REVENUE

The Company recognizes revenue by the type of performance obligations:

	2022	2021	2020
Initial franchise fees	367,767	\$ 30,000	\$ -
Royalties	110,047	59,920	-
Technology fees	17,500	12,250	-
Miscellaneous income	3,415	3,074	-
	498,729	105,244	-
Less: refunds	(15,000)	-	-
Total revenue	<u>\$ 483,729</u>	<u>\$ 105,244</u>	<u>\$ -</u>

NOTE 10 ADVERTISING

The Company expenses all advertising the first time advertising takes place. Advertising costs for the years ended December 31, 2022, 2021 and for period from inception (July 13, 2020) to December 31, 2020 were \$57,489, \$22,665 and \$10,656, respectively.

NOTE 11 FRANCHISE AND MASTER AGREEMENTS

The terms of the Company's franchise agreements are as follows:

- A. The Company grants franchises for residential assisted living homes that operate under the name "Majestic Residences", and offers services relating to either real estate conversion or acquisition and development services, all to design an operational home for the provision on non-medical services for residential group living.
- B. The franchisee must pay a non-refundable initial franchise fee.
- C. The franchisee is also obligated to pay the franchisor the following fees:
 - 1. Continuing royalty fees based on the franchisee's agreement
 - 2. Brand development monthly fee
 - 3. Technology monthly fee
 - 4. Advertising monthly fee
 - 5. Conference registration fee
 - 6. Inventory
 - 7. On-site assistance fee

Fees may be charged to the franchisee in addition to the above items, per the franchise agreement.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND
FOR THE PERIOD FROM INCEPTION
(JULY 13, 2020) TO DECEMBER 31, 2020

NOTE 10 FRANCHISE AND MASTER AGREEMENTS (CONTINUED)

- D. Term of the franchise is for five years. Franchisees in good standing may acquire up to three successor franchise terms of five years.

The following is a summary of the Majestic Residences Franchise Systems, LLC's franchises as of December 31:

	2022	2021	2020
Beginning of year	6	-	-
Franchises opened	1	7	-
Terminations	-	(1)	-
Reacquired/ceased operations	-	-	-
End of year	<u>7</u>	<u>6</u>	<u>-</u>

In addition, franchise agreements signed but the outlets were not opened for the years ended December 31, 2022, 2021 and for period from inception (July 13, 2020) to December 31, 2020 were 22, 12 and -0-.

The Company also enters into Master Franchise Agreements, where Majestic Residence Franchise Systems, LLC grants the right to the Master Developer to own, develop and operate Majestic Residences solely within the territory, and/or offer, sell, service and support franchisees and a license to use the Marks solely in connection with the activities contemplated by the agreement, including the sublicensing of the Marks pursuant to the terms and conditions of the standard Franchise Agreement for a period of ten years.

As of December 31, 2022, the Company entered into one Master Franchise Agreement.

**MAJESTIC RESIDENCES
FRANCHISE SYSTEMS, LLC**

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Balance Sheets.....	3
Statements of Operations.....	4
Statements of Changes in Members' Equity	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7 - 15

INDEPENDENT AUDITORS' REPORT

To The Members
Majestic Residences
Franchise Systems, LLC
Las Vegas, Nevada

Opinion

We have audited the accompanying financial statements of Majestic Residences Franchise Systems, LLC (A Delaware Limited Liability Company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in members' equity, and cash flows for the year ended December 31, 2021 and for the period from inception July 13, 2020 to December 31, 2020, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Majestic Residences Franchise Systems, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the year ended December 31, 2021 and for the period from inception July 13, 2020 to December 31, 2020 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Majestic Residences Franchise Systems, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Baldwin Moffitt Behm LLP
CERTIFIED PUBLIC ACCOUNTANTS
Scottsdale, Arizona

March 9, 2022

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 184,326	\$ 187,183
Accounts receivable, net of allowance for doubtful accounts	32,480	-
Franchise fee receivable	22,500	
Prepaid expenses	10,361	5,090
Contract costs asset	47,000	-
Supplies inventory	<u>1,615</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>298,282</u>	<u>192,273</u>
OTHER ASSETS		
Intangible assets, net of amortization		
Software	5,639	-
Trademarks	4,479	-
Trademarks- work in process	<u>3,752</u>	<u>-</u>
TOTAL OTHER ASSETS	<u>13,870</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 312,152</u></u>	<u><u>\$ 192,273</u></u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accrued liabilities	\$ 44,591	\$ 8,000
Contract liability	129,000	-
Accrued wages and payroll taxes	<u>22,307</u>	<u>2,552</u>
TOTAL CURRENT LIABILITIES	<u>195,898</u>	<u>10,552</u>
MEMBERS' EQUITY	<u>116,254</u>	<u>181,721</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 312,152</u></u>	<u><u>\$ 192,273</u></u>

The accompanying notes are an integral part of these statements.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND FOR THE PERIOD FROM
INCEPTION JULY 13, 2020 TO DECEMBER 31, 2020

	<u>2021</u>	<u>2020</u>
REVENUE	\$ 105,244	\$ -
OPERATING EXPENSES		
Salaries and benefits	250,287	25,559
Advertising	22,665	10,656
Automobile	1,040	-
Bad debt expense	5,000	-
Education	8,668	5,931
Entertainment	3,016	832
Amortization	1,572	-
Franchise costs	29,305	-
Insurance	11,201	1,685
Office expenses	10,103	1,170
Professional services	56,266	63,710
Resident programming	-	4,143
Supplies	2,156	-
Technology	<u>19,432</u>	<u>4,593</u>
TOTAL OPERATING EXPENSES	<u>420,711</u>	<u>118,279</u>
NET (LOSS)	<u>\$ (315,467)</u>	<u>\$ (118,279)</u>

The accompanying notes are an integral part of these statements.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021 AND FOR THE PERIOD FROM
INCEPTION JULY 13, 2020 TO DECEMBER 31, 2020

BALANCE, JULY 13, 2020	\$ -
Members' Capital Contributions	300,000
Net (loss) for the period from inception July 13, 2020 to December 31, 2020	<u>(118,279)</u>
BALANCE, DECEMBER 31, 2020	181,721
Members' Capital Contributions	250,000
Net (loss) for the year	<u>(315,467)</u>
BALANCE, DECEMBER 31, 2021	<u>\$ 116,254</u>

The accompanying notes are an integral part of these statements.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND FOR THE PERIOD FROM
INCEPTION JULY 13, 2020 TO DECEMBER 31, 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	\$ (315,467)	\$ (118,279)
Adjustments to reconcile net (loss)		
to net cash provided by operating activities:		
Amortization	1,572	-
Changes in allowance for doubtful accounts	5,000	-
Changes in operating assets and liabilities:		
Accounts receivable	(37,480)	-
Franchise fee receivable	(22,500)	-
Prepaid expenses	(5,271)	(5,090)
Contract costs asset	(47,000)	-
Supplies inventory	(1,615)	-
Accrued liabilities	36,591	8,000
Contract liability	129,000	-
Accrued wages and payroll taxes	19,755	2,552
NET CASH USED BY		
OPERATING ACTIVITIES	<u>(237,415)</u>	<u>(112,817)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	<u>(15,442)</u>	<u>-</u>
NET CASH USED BY		
INVESTING ACTIVITIES	<u>(15,442)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Members' contributions	<u>250,000</u>	<u>300,000</u>
NET CASH PROVIDED BY		
FINANCING ACTIVITIES	<u>250,000</u>	<u>300,000</u>
NET (DECREASE) INCREASE IN CASH	(2,857)	187,183
CASH, BEGINNING OF YEAR	<u>187,183</u>	<u>-</u>
CASH, END OF YEAR	<u>\$ 184,326</u>	<u>\$ 187,183</u>

The accompanying notes are an integral part of these statements.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND
FOR THE PERIOD FROM INCEPTION
JULY 13, 2020 TO DECEMBER 31, 2020.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Majestic Residences Franchise Systems, LLC (Company) was organized under the laws of the state of Delaware on July 13, 2020. The Company offers franchises for the use of the Majestic Residences Franchise Systems, LLC trademark, trade name, services mark and logos in the operation of Majestic Residences Franchise Systems, LLC franchises, which deliver non-medical care in a group residential home setting that is performed by trained caregivers. The company began selling franchises throughout the United States in January 2021.

Basis of Presentation

The financial statements are presented on the accrual basis of accounting.

Limited Liability Company

The Company is a Limited Liability Company. Therefore, the members are not personally liable for the debts, obligations, or liabilities of the Company.

The period of duration for the Company is perpetual.

Accounting Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Accounts Receivable

The Company grants credit to its customers in the normal course of business. Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts to cover potential credit losses relating to its accounts receivable. Management determines the adequacy of the allowance based on historical write-off percentages and information collected from individual franchises. Accounts receivable are charged off against the allowance when collectability is determined to be permanently impaired (bankruptcy, lack of contact, age of account balance, etc.).

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND
FOR THE PERIOD FROM INCEPTION
JULY 13, 2020 TO DECEMBER 31, 2020.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

The Company provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts.

Revenue Recognition

Effective July 13, 2020, the Company adopted the Financial Accounting Standards Board (FASB) guidance that created Topic 606, "Revenue from Contracts with Customers." This created a comprehensive framework for entities in all industries to apply in the determination of when to recognize revenue, and, therefore, superseded virtually all existing revenue recognition requirements and guidance.

This framework provides a consistent and comparable methodology for revenue recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company has elected to apply the practical expedient allowed under the new guidance whereby it can account for certain pre-opening services provided to a franchisee as a single performance obligation.

The Company has elected to apply the practical expedient allowed under the guidance whereby it can disregard the impact to the transaction price of the effects of a significant financing component for arrangements where the Company expects the period between delivery of the service and customer payment to be one year or less.

The Company has elected to apply the practical expedient whereby it can recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period for the asset that the Company otherwise would have recognized is one year or less.

The Company has elected to apply the practical expedient to account for pre-opening services as distinct from the franchise license.

The Company is eligible to apply the optional exemptions to its remaining performance obligations due to: 1) the performance obligation is part of a contract that has an original duration of one year or less, 2) the associated revenue being recognized is based on the Company's right to invoice for the value of the service

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND
FOR THE PERIOD FROM INCEPTION
JULY 13, 2020 TO DECEMBER 31, 2020.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

delivered, 3) the associated variable consideration is being allocated entirely to wholly unsatisfied performance obligations or 4) immateriality.

Management uses their professional judgment to determine the progress toward completion of their performance obligation for initial franchise fees.

Franchise Revenue

The Company's primary sources of revenue are as follows:

Franchise fees generated from the sale of new franchises by granting rights to use the Company's intellectual property over the term of the franchise agreement.

Site selection, training, inspecting, quality control, information technology and advisory services represent a set of integrated services and are considered pre-opening services provided to a franchisee as a single performance obligation. Revenue is recognized when these performance obligations are completed.

Royalties are based on a percentage of gross sales as reported by the franchisees and are recognized monthly based upon the time the franchisee collects revenue for their services.

Area development/master license agreements are recognized over the term of the master license agreements on a straight-line basis.

Inventory sales, technology and administrative fees are recognized when the performance obligations are satisfied.

Cash

For the purpose of the statements of cash flows, the Company considers unrestricted currency, demand deposits, money market accounts, and all highly liquid debt instruments purchased with original maturities of ninety days or less to be cash.

Inventory

Inventory consists of sundries available for sale to the franchisees and are valued at the lower of cost (first-in, first-out method) or net realizable value.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND
FOR THE PERIOD FROM INCEPTION
JULY 13, 2020 TO DECEMBER 31, 2020.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract costs asset

The Company recognizes incremental costs of obtaining a contract as an asset if they are expected to be recoverable, unless their amortization period would be less than one year, in which case they are expensed as incurred. The costs are amortized to operating expenses as the performance obligations are completed.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is calculated based on historical experience, customer credit risk and the application of the specific identification method.

Intangible Assets

Amortizable intangible assets with a definite life are generally amortized on a straight-line basis over the life of the asset. The costs to periodically renew our intangible assets are expensed as incurred.

The Company tests long-lived assets, including amortizable intangible assets, for impairment whenever events or changes in circumstances (triggering events) indicate that the carrying amount may not be recoverable. Once a triggering event has occurred, the impairment test employed is based on whether the intent is to hold the asset for continued use or to hold the asset for sale. The impairment test for assets held for use requires a comparison of cash flows expected to be generated over the useful life of an asset group to the carrying value of the asset group.

Intangible assets consist of:

Trademarks, amortized on a straight-line method over 10 years

Trademarks – work in process, which will be amortized when placed in service

Software, amortized on a straight-line method over 3 years

Income Taxes

The financial statements do not include a provision for income taxes because the Company has elected to be taxed as a partnership for federal and state income taxes. Net (loss) is included in the members' income tax returns.

On January 1, 2022, the Company elected to be taxed as a S-Corporation for federal and state income taxes. Net income (loss) will be included in the members' income tax returns.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND
FOR THE PERIOD FROM INCEPTION
JULY 13, 2020 TO DECEMBER 31, 2020.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets (Continued)

The Company adopted the accounting principles for uncertainty in income tax guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Company's income tax filings are subject to audit by various taxing authorities. The open audit years are 2021 and 2020.

Subsequent Events

Management has evaluated subsequent events through March 9, 2022, which is the date the financial statements were available to be issued.

NOTE 2 CONCENTRATION OF RISK

Cash

Financial instruments that potentially subject the Company to a concentration of credit risk are cash. The Company maintains its day-to-day operating cash balances in non-interest-bearing accounts. Although the Company at times maintains balances that exceed amounts insured by the Federal Deposit Insurance Corporation, it has not experienced any losses related to these balances and management believes the credit risk to be minimal.

Revenue

During the year ended December 31, 2021, revenue generated by two franchisees made up approximately 32% of the Company's total revenue.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<u>2021</u>	<u>2020</u>
Accounts Receivable	\$ 37,480	\$ -
Less allowance for doubtful accounts	<u>(5,000)</u>	<u>-</u>
Balance	<u>\$ 32,480</u>	<u>\$ -</u>

Accounts receivable over 90 days was \$13,165 at December 31, 2021.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND
FOR THE PERIOD FROM INCEPTION
JULY 13, 2020 TO DECEMBER 31, 2020.

NOTE 4 FRANCHISE FEE RECEIVABLE

Franchise fee receivable represents initial franchise fees in the amount of \$22,500 for a franchise agreement that was signed in December 2021, but paid for in January 2022.

NOTE 5 INTANGIBLE ASSETS

A summary of the intangible assets is as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Website design	\$ 7,000	\$ -
Trademarks	<u>4,690</u>	<u>-</u>
Less accumulated amortization	<u>(1,572)</u>	<u>-</u>
	10,118	-
Trademarks- work in process	<u>3,752</u>	<u>-</u>
 Total intangible Assets	 <u>\$ 17,014</u>	 <u>\$ -</u>

Amortization expense for the year ending December 31, 2021, and for the period from inception July 13, 2020 to December 31, 2020 was \$1,572 and \$0, respectively.

Amortization expense for the years ending December 31, is as follows:

2022	\$ 2,802
2023	2,802
2024	1,441
2025	469
2026	469
Beyond	<u>2,135</u>
	 <u>\$ 10,118</u>

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND
FOR THE PERIOD FROM INCEPTION
JULY 13, 2020 TO DECEMBER 31, 2020.

NOTE 6 CONTRACT LIABILITY

The contract liability represents the Company's obligation to transfer goods or services to their new franchisees. The amount of the contract liability at December 31, 2021 was:

Contract liability, January 1, 2021	\$ -
Increase for the year	<u>129,000</u>
Contract liability, December 31, 2021	<u>\$ 129,000</u>

NOTE 7 DISAGGREGATION OF REVENUE

The Company recognizes revenue by the type of performance obligations:

	<u>2021</u>	<u>2020</u>
Franchise fees	\$ 30,000	\$ -
Royalties	59,920	-
Technology fees	12,250	-
Miscellaneous income	<u>3,074</u>	<u>-</u>
Total Revenue	<u>\$ 105,244</u>	<u>\$ -</u>

NOTE 8 ADVERTISING AND MARKETING COSTS

The Company expenses all advertising and marketing expenses the first time advertising takes place. Advertising and marketing costs for the year ended December 31, 2021 and for period from inception July 13, 2020 to December 31, 2020 were \$22,665 and \$10,656, respectively.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND
FOR THE PERIOD FROM INCEPTION
JULY 13, 2020 TO DECEMBER 31, 2020.

NOTE 9 FRANCHISE AGREEMENT

The terms of the Company's franchise agreements are as follows:

- A. The Company grants franchises for residential assisted living homes that operate under the name "Majestic Residences", and offers services relating to either real estate conversion or acquisition and development services, all to design an operational home for the provision on non-medical services for residential group living.
- B. The franchisee must pay a non-refundable initial franchise fee.
- C. The franchisee is also obligated to pay the franchisor the following fees:
 - 1. Continuing royalty fees based on the franchisee's agreement
 - 2. Brand development monthly fee
 - 3. Technology monthly fee
 - 4. Advertising monthly fee
 - 5. Conference registration fee
 - 6. Inventory
 - 7. On-site assistance fee

Fees may be charged to the franchisee in addition to the above items, per the franchise agreement.
- D. Term of the franchise is for five years. Franchisees in good standing may acquire up to three successor franchise terms of five years.

The following is a summary of the Majestic Residences Franchise Systems, LLC's franchises as of December 31, 2021:

January 1, 2021	-
Franchise agreement signed but outlet not opened	12
Franchises opened	7
Terminations	(1)
Reacquired/ceased operations	-
December 31, 2021	18

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND
FOR THE PERIOD FROM INCEPTION
JULY 13, 2020 TO DECEMBER 31, 2020.

NOTE 9 FRANCHISE AGREEMENT (CONTINUED)

The Company also enters into Master Franchise Agreements, where Majestic Residence Franchise Systems, LLC grants the right to the Master Developer to own, develop and operate Majestic Residences solely within the territory, and/or offer, sell, service and support franchisees and a license to use the Marks solely in connection with the activities contemplated by the agreement, including the sublicensing of the Marks pursuant to the terms and conditions of the standard Franchise Agreement for a period of ten years.

As of December 31, 2021, the Company entered into one Master Franchise Agreement.

**MAJESTIC RESIDENCES
FRANCHISE SYSTEMS, LLC
FINANCIAL STATEMENTS
DECEMBER 31, 2020**

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Balance Sheet.....	3
Statement of Operations.....	4
Statement of Changes in Members' Equity.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements.....	7 - 10

Robert Baldwin
Lori Moffitt Gleason
Stanley M. Moffitt
Pamela Mullins



David Baldwin
Larry Moffitt
Susan Caldwell

INDEPENDENT AUDITORS' REPORT

To The Members
Majestic Residences
Franchise Systems, LLC
Las Vegas, Nevada

We have audited the accompanying financial statements of Majestic Residences Franchise Systems, LLC which comprise the balance sheet as of December 31, 2020, and the related statements of operations, changes in members' equity and cash flows for the period from July 13, 2020 (date of organization) to December 31, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

8399 East Indian School Road Suite 201 • Scottsdale, Arizona 85251



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Majestic Residences Franchise Systems, LLC as of December 31, 2020, and the results of its operations and its cash flows for the period from July 13, 2020 (date of organization) to December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

Baldwin Moffitt, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
Scottsdale, Arizona

February 8, 2021

**MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
BALANCE SHEET
DECEMBER 31, 2020**

ASSETS

CURRENT ASSETS

Cash	\$ 187,183	
Prepaid expenses	<u>5,090</u>	
TOTAL CURRENT ASSETS		<u>\$ 192,273</u>

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES

Accrued liabilities	\$ 8,000	
Accrued wages and payroll taxes	<u>2,552</u>	
TOTAL CURRENT LIABILITIES		\$ 10,552

MEMBERS' EQUITY	<u>181,721</u>
------------------------	----------------

TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 192,273</u>
--	--------------------------

The accompanying notes are an integral part of these statements.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
STATEMENT OF OPERATIONS
FOR THE PERIOD FROM JULY 13, 2020 (DATE OF ORGANIZATION) TO
DECEMBER 31, 2020

REVENUE		\$	-
OPERATING EXPENSES			
Salaries and benefits	\$	25,559	
Advertising		10,656	
Education		5,931	
Insurance		1,685	
Office expenses		1,170	
Professional services		63,710	
Resident programming		4,143	
Technology		<u>5,425</u>	
TOTAL OPERATING EXPENSES		\$	<u>118,279</u>
NET (LOSS)		\$	<u>(118,279)</u>

The accompanying notes are an integral part of these statements.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE PERIOD FROM JULY 13, 2020 (DATE OF ORGANIZATION) TO
DECEMBER 31, 2020

	<u>Eugene R. Guarino</u>	<u>Charles M. Bongiovanni</u>	<u>Total</u>
Members' Capital Contributions	\$ 150,000	\$ 150,000	\$ 300,000
Net (loss) for the period from July 13, 2020 (date of organization) to December 31, 2020	<u>(59,139)</u>	<u>(59,140)</u>	<u>(118,279)</u>
Balance, December 31, 2020	<u>\$ 90,861</u>	<u>\$ 90,860</u>	<u>\$ 181,721</u>

The accompanying notes are an integral part of these statements.

- 5 -

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JULY 13, 2020 (DATE OF ORGANIZATION) TO
DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Net (loss)	\$ (118,279)	
Changes in operating assets and liabilities:		
Prepaid expenses	(5,090)	
Accrued liabilities	8,000	
Accrued wages and payroll taxes	<u>2,552</u>	
NET CASH USED BY		
 OPERATING ACTIVITIES		\$ (112,817)

CASH FLOWS FROM FINANCING ACTIVITIES

Members' contributions	<u>\$ 300,000</u>	
NET CASH PROVIDED BY		
 FINANCING ACTIVITIES		300,000

NET INCREASE IN CASH 187,183

CASH, JULY 13, 2020 (DATE OF ORGANIZATION) -

CASH, DECEMBER 31, 2020 **\$ 187,183**

SUPPLEMENTAL DISCLOSURES OF
CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	<u>\$ -</u>
Taxes	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Majestic Residences Franchise Systems, LLC was organized under the laws of the State of Delaware on July 13, 2020. The Company will offer franchises for the use of the Majestic Residences Franchise Systems, LLC trademark, trade name, services mark and logos in the operation of Majestic Residences Franchise Systems, LLC franchises, which deliver non-medical care in a group residential home setting that is performed by trained caregivers. Franchises will be sold throughout the United States beginning January 2021,

Basis of Presentation

The financial statements are presented on the accrual basis of accounting.

Limited Liability Company

The Company is a Limited Liability Company. Therefore, the members are not personally liable for the debts, obligations, or liabilities of the Company.

The period of duration for the Company is perpetual.

Accounting Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606: "Revenue from Contracts with Customers." These changes created a comprehensive framework for entities in all industries to apply in the determination of when to recognize revenue, and, therefore, supersede virtually all existing revenue recognition requirements and guidance. This framework is expected to provide a consistent and comparable methodology for revenue recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this principle, we will apply the following steps: (i) identify the contracts with a customer, (ii) identify the performance obligations in the contracts, (iii) determine the transaction

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

price, (iv) allocate the transaction price to the performance obligations in the contracts, and (v) recognize revenue when, or as, the entity satisfies a performance obligation. These changes are effective for fiscal years beginning after December 15, 2019.

The Company has elected to apply the practical expedient allowed under the new guidance whereby it can account for certain pre-opening services provided to a franchisee as a single performance obligation.

The Company has also elected to apply the practical expedient allowed under the new guidance whereby it can disregard the impact to the transaction price of the effects of a significant financing component for arrangements where the Company expects the period between delivery of the service and customer payment to be one year or less. In addition, the Company has elected to apply the practical expedient whereby it can recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period for the asset that the Company otherwise would have recognized is one year or less.

Initial franchise fees are collected in advance by the Company and are non-refundable. The initial franchise fee includes the right to use the license, logo, trademark, and pre-opening activities. The pre-opening activity represents a performance obligation to which a portion of the transaction price is allocated.

Management will use their professional judgment to determine the progress toward completion of their performance obligation for initial franchise fees by measuring the percentage of costs incurred to date to estimated total costs required to open each franchise. This method is used because management considers total cost to be the best available measure of progress on contracts.

For those services where the Company's performance obligation is satisfied at a point in time, and for which there is no ongoing obligation, revenue is recognized as follows:

Royalty revenue is recognized monthly based upon the time the franchisee collects revenue for their services.

Advertising, branding, inventory sales, on-site assistance and technology fees are recognized monthly, which is when the performance obligation is satisfied.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

For the purpose of the statement of cash flows, the Company considers unrestricted currency, demand deposits, money market accounts, and all highly liquid debt instruments purchased with original maturities of ninety days or less to be cash.

Income Taxes

The financial statements do not include a provision for income taxes because the Company has elected to be taxed as a partnership for federal and state income taxes. Net (loss) is included in the members' income tax returns.

The Company adopted the accounting principles for uncertainty in income tax guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Company's income tax filings are subject to audit by various taxing authorities. The open audit year is 2020.

NOTE 2 FRANCHISE AGREEMENT

The terms of the Company's franchise agreements are as follows:

- A. The Company grants franchises for residential assisted living homes that operate under the name "Majestic Residences", and offers services relating to either real estate conversion or acquisition and development services, all to design an operational home for the provision on non-medical services for residential group living.
- B. The franchisee must pay a non-refundable initial franchise fee.
- C. The franchisee is also obligated to pay the franchisor the following fees:
 - 1. Continuing royalty fees based on the franchisee's agreement
 - 2. Brand development monthly fee
 - 3. Technology monthly fee
 - 4. Advertising monthly fee
 - 5. Conference registration fee
 - 6. Inventory
 - 7. On-site assistance fee

Fees may be charged to the franchisee in addition to the above items, per the franchise agreement.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 FRANCHISE AGREEMENT (CONTINUED)

- D. Term of the franchise is for five years. Franchisees in good standing may acquire up to three successor franchise terms of five years.

As of December 31, 2020, the company has not sold any franchises.

NOTE 3 ADVERTISING AND MARKETING COSTS

The Company expenses all advertising and marketing expenses as incurred. Advertising and marketing costs for the period from July 13, 2020 (date of organization) to December 31, 2020 were \$10,656.

NOTE 4 SIGNIFICANT RISKS AND UNCERTAINTIES

The Company's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Company's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Company's customers and revenue, absenteeism in the Company's labor workforce, unavailability of products and supplies used in operations, and decline in value of assets held by the Company.

NOTE 5 SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 8, 2021, which is the date the financial statements were available to be issued. There were no subsequent events related to these financial statements.

**MAJESTIC RESIDENCES
FRANCHISE SYSTEMS, LLC
FINANCIAL STATEMENTS
SEPTEMBER 4, 2020**

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Operations	4
Statement of Members' Equity.....	5
Statement of Cash Flows.....	6
Notes to The Financial Statements.....	7 - 9

Robert Baldwin
Loei Moffitt Gleason
Stanley M. Moffitt
Pamela Mullins



David Baldwin
Larry Moffitt
Susan Caldwell

INDEPENDENT AUDITORS' REPORT

To The Members
Majestic Residences
Franchise Systems, LLC
Las Vegas, Nevada

We have audited the accompanying financial statements of Majestic Residences Franchise Systems, LLC which comprise the balance sheet as of September 4, 2020 and the related statements of operations, members' equity and cash flows for the period from July 13, 2020 (date of organization) to September 4, 2020 and the related notes to the financial statements.

Management's Responsibility for The Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

701 North 44th Street • Phoenix, Arizona 85008 • (480) 736-9200
11811 North Tatum Boulevard Suite 2600 • Phoenix, Arizona 85028 • (480) 951-1416



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Majestic Residences Franchise Systems, LLC as of September 4, 2020, and the result of its operations and its cash flows for the period July 13, 2020 (date of organization) to September 4, 2020, in accordance with accounting principles generally accepted in the United States of America.

Baldwin Moffitt PLLC

Baldwin Moffitt, PLLC
Phoenix, Arizona

September 8, 2020

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
BALANCE SHEET
SEPTEMBER 4, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 282,893
Prepaid legal fees	<u>15,000</u>

TOTAL CURRENT ASSETS \$ 297,893

LIABILITY AND MEMBERS' EQUITY

CURRENT LIABILITIES

Accrued accounting fees	\$ 5,000
-------------------------	----------

MEMBERS' EQUITY

292,893

\$ 297,893

See Accompanying Notes and Independent Auditors' Report.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
STATEMENT OF OPERATIONS
FOR THE PERIOD FROM JULY 13, 2020 (DATE OF ORGANIZATION)
TO SEPTEMBER 4, 2020

INCOME		\$ 0
Accounting fees	\$ 5,000	
Marketing and other expenses	<u>2,107</u>	
TOTAL OPERATING EXPENSES		<u>2,107</u>
NET (LOSS)		<u>\$ (2,107)</u>

See Accompanying Notes and Independent Auditors' Report.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
STATEMENT OF MEMBERS' EQUITY
FOR THE PERIOD FROM JULY 13, 2020 (DATE OF ORGANIZATION)
TO SEPTEMBER 4, 2020

	<u>Eugene R. Guarino</u>	<u>Charles M. Bongiovanni</u>	<u>Total</u>
Member Capital Contribution	\$ 150,000	\$ 150,000	\$ 300,000
Net (loss) for the period from July 13, 2020 (date of organization) to September 4, 2020	<u>(3,554)</u>	<u>(3,553)</u>	<u>(7,107)</u>
Balance, September 4, 2020*	<u>\$ 146,446</u>	<u>\$ 146,447</u>	<u>\$ 292,893</u>
% of ownership	<u>50 %</u>	<u>50 %</u>	<u>100 %</u>

See Accompanying Notes and Independent Auditors' Report.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JULY 13, 2020 (DATE OF ORGANIZATION)
TO SEPTEMBER 4, 2020

**CASH FLOWS FROM
OPERATING ACTIVITIES**

Net (loss)	\$ (7,107)
Changes in operating assets and liabilities:	
Prepaid legal fees	(15,000)
Accrued accounting fees	<u>5,000</u>

**NET CASH (USED) BY
OPERATING ACTIVITIES** \$ (17,107)

CASH FLOWS FROM INVESTING ACTIVITIES 0

CASH FLOWS FROM FINANCING ACTIVITIES

Member contributions	<u>300,000</u>
----------------------	----------------

**NET CASH PROVIDED BY
FINANCING ACTIVITIES** 300,000

**NET INCREASE IN CASH AND CASH
BALANCE AT SEPTEMBER 4, 2020** \$ 282,893

**SUPPLEMENTARY DISCLOSURE OF
CASH FLOW INFORMATION**

Cash paid during the year for:

Interest	\$ <u>0</u>
Taxes	\$ <u>0</u>

See Accompanying Notes and Independent Auditors' Report.

**MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JULY 13, 2020 (DATE OF ORGANIZATION)
TO SEPTEMBER 4, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Majestic Residences Franchise Systems, LLC was organized under the laws of the State of Delaware on July 13, 2020. The Company will offer franchises for the use of the Majestic Residences Franchise Systems, LLC trademark, trade name, services mark and logos in the operation of Majestic Residences Franchise Systems, LLC franchises. Franchises will be sold throughout the United States of America as soon as regulation approval is received.

Basis of Presentation

The financial statements are presented on the accrual basis of accounting.

Limited Liability Company

The Company is a Limited Liability Company. Therefore, the members are not personally liable for the debts, obligations, or liabilities of the Company.

The period of duration for the Company is perpetual.

Accounting Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Revenue Recognition

The Company will adopt the Financial Accounting Standards Board (FASB) guidance that created Topic 606, "Revenue from Contracts with Customers." This created a comprehensive framework for entities in all industries to apply in the determination of when to recognize revenue, and, therefore, supersede virtually all existing revenue recognition requirements and guidance. This framework is expected to provide a consistent and comparable methodology for revenue recognition. The core principle of the guidance is that an entity should recognize

See Accompanying Notes and Independent Auditors' Report.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JULY 13, 2020 (DATE OF ORGANIZATION)
TO SEPTEMBER 4, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this principle, we will apply the following steps: (i) identify the contracts with a customer, (ii) identify the performance obligations in the contracts, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contracts, and (v) recognize revenue when, or as, the entity satisfies a performance obligation. These changes are effective for fiscal years beginning after December 15, 2018.

The Company has also elected to apply the practical expedient allowed under the guidance whereby it can disregard the impact to the transaction price of the effects of a significant financing component for arrangements where the Company expects the period between delivery of the service and customer payment to be one year or less. In addition, the Company has elected to apply the practical expedient whereby it can recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period for the asset that the Company otherwise would have recognized is one year or less.

Cash

For the purpose of the statement of cash flows, the Company considers unrestricted currency, demand deposits, money market accounts, and all highly liquid debt instruments purchased with original maturities of ninety days or less to be cash.

Income Taxes

The financial statements do not include a provision for income taxes because the Company has elected to be taxed as a partnership for federal and state income taxes. Net (loss) is included in the members' income tax returns.

The Company will follow the accounting principles for uncertainty in income tax guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. In evaluating the tax provisions and accruals, future taxable income, the reversal of temporary differences and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances.

See Accompanying Notes and Independent Auditors' Report.

MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JULY 13, 2020 (DATE OF ORGANIZATION)
TO SEPTEMBER 4, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Risk – Cash

The Company has \$282,893 deposited in one banking institution. Only \$250,000 of the balance is insured by the Federal Deposit Insurance Corporation.

NOTE 3 Subsequent Events

Management has evaluated subsequent events through September 4, 2020, the date which the financial statements were available for issue.

Majestic Residences Franchise Systems, LLC operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however it may result in a material adverse impact on the Company's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Company's revenue, absenteeism in the Company's labor workforce, unavailability of products and supplies used in its operations and decline in value of assets held by Majestic Residences Franchise Systems, LLC.

See Accompanying Notes and Independent Auditors' Report.

EXHIBIT B

TO MAJESTIC RESIDENCES DISCLOSURE DOCUMENT

GUARANTEE OF PERFORMANCE

For value received, _____, a _____ (the "**Guarantor**"), located at _____, absolutely and unconditionally guarantees to assume the duties and obligations of **MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC**, located at _____ (the "**Franchisor**"), under its franchise registration in each state where the franchise is registered, and under its 2023 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 registration 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 signed this guarantee at _____, _____ on _____, 202__.

GUARANTOR:

By:_____

Name:_____

Title:_____

EXHIBIT C
TO MAJESTIC RESIDENCES DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

[See Attached]



**MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC
FRANCHISE AGREEMENT**

FRANCHISEE

DATE OF AGREEMENT

ADDRESS OF MAJESTIC RESIDENCES

TABLE OF CONTENTS

1.	PREAMBLES, ACKNOWLEDGEMENTS AND GRANT OF FRANCHISE.....	1
A.	PREAMBLES.	1
B.	GRANT OF FRANCHISE/INITIAL AND SUCCESSOR TERMS	2
C.	RIGHTS MAINTAINED BY US.	2
2.	SITE SELECTION, LEASE OF SITE AND DEVELOPMENT AND OPENING OF YOUR MAJESTIC RESIDENCES.	3
A.	SITE SELECTION.....	3
B.	DEVELOPMENT OF THE MAJESTIC RESIDENCES.....	4
C.	COMPUTER SYSTEM.....	4
D.	OPENING.....	5
E.	GRAND OPENING MARKETING PROGRAM.....	5
3.	FEES.	5
A.	INITIAL FRANCHISE FEE.	5
B.	ROYALTY.	6
C.	MONTHLY TECHNOLOGY FEE.....	7
D.	MINIMUM PERFORMANCE REQUIREMENTS.....	7
E.	INTEREST ON LATE PAYMENTS; DISHONORED CHECKS.....	8
F.	APPLICATION OF PAYMENTS AND RIGHT OF SET-OFF.....	8
G.	SUCCESSOR FEE.	8
H.	PROFESSIONAL ASSOCIATION MEMBERSHIP.....	8
4.	TRAINING AND ASSISTANCE.	8
A.	TRAINING.....	8
B.	ON-SITE ASSISTANCE.	9
C.	GENERAL GUIDANCE.	9
D.	CONFIDENTIAL OPERATIONS MANUAL.....	9
E.	DELEGATION OF PERFORMANCE.....	10
5.	MARKS AND COPYRIGHTS.	10
A.	OWNERSHIP AND GOODWILL OF MARKS AND COPYRIGHTS.....	10
B.	LIMITATIONS ON YOUR USE OF MARKS AND COPYRIGHTS.....	10
C.	NOTIFICATION OF INFRINGEMENTS AND CLAIMS.....	11
D.	DISCONTINUANCE OF USE OF MARKS OR COPYRIGHTS.	11
E.	INDEMNIFICATION FOR USE OF MARKS.	11

Initial: _____
Initial: _____

6.	CONFIDENTIAL INFORMATION.	12
7.	EXCLUSIVE RELATIONSHIP.....	13
8.	OPERATION AND SYSTEM STANDARDS FOR MAJESTIC RESIDENCES BUSINESSES.....	14
A.	PRINCIPAL OWNER & OPERATIONS MANAGER.....	14
B.	CONDITION AND APPEARANCE OF YOUR MAJESTIC RESIDENCES HOME.....	14
C.	SERVICES YOUR BUSINESS OFFERS.	15
D.	APPROVED DISTRIBUTORS AND SUPPLIERS.	16
E.	COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES/ BRAND PROTECTION.	16
F.	INSURANCE.	17
G.	COMPLIANCE WITH SYSTEM STANDARDS.....	19
H.	ANTI-TERRORISM AND ANTI-CORRUPTION LAWS.	20
9.	MARKETING.	20
A.	BY YOU.	20
B.	MARKETING FEE.....	21
C.	WEBSITES AND INTERACTIVE MEDIA.	22
10.	RECORDS, REPORTS AND FINANCIAL STATEMENTS.....	23
11.	INSPECTIONS AND AUDITS.....	24
A.	OUR RIGHT TO INSPECT YOUR BUSINESS.....	24
B.	OUR RIGHT TO AUDIT.....	25
12.	TRANSFER.....	25
A.	DELEGATION BY US.....	25
B.	TRANSFER BY US.....	25
C.	TRANSFER BY YOU.	25
D.	CONDITIONS FOR APPROVAL OF TRANSFER.	26
E.	ASSIGNMENT TO ENTITY PRINCIPALLY CONTROLLED BY YOU.	28
F.	DEATH OR DISABILITY.....	29
G.	EFFECT OF CONSENT TO TRANSFER.	29
13.	EXPIRATION OF THIS AGREEMENT.	30
A.	YOUR RIGHT TO ACQUIRE A SUCCESSOR FRANCHISE.....	30
B.	GRANT OF A SUCCESSOR FRANCHISE.....	30
C.	AGREEMENTS/RELEASES.	31
14.	TERMINATION OF AGREEMENT.....	31

Initial: _____
Initial: _____

15.	OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT.....	34
A.	PAYMENT OF AMOUNTS OWED.....	34
B.	DE-IDENTIFICATION.....	34
C.	CONFIDENTIAL INFORMATION AND CLIENT INFORMATION.....	35
D.	early termination damages.....	35
16.	RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.....	36
A.	INDEPENDENT BUSINESS OWNER.....	36
B.	NO LIABILITY FOR ACTS OF OTHER PARTY.	36
C.	TAXES.	36
D.	INDEMNIFICATION.....	36
17.	CONSTRUCTION & ENFORCEMENT.....	37
A.	GOVERNING LAW.....	37
B.	SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.....	37
C.	WAIVER OF OBLIGATIONS.	37
D.	COSTS AND ATTORNEYS' FEES.....	38
E.	YOU MAY NOT WITHHOLD PAYMENTS DUE TO US.....	38
F.	RIGHTS OF PARTIES ARE CUMULATIVE.....	38
G.	DISPUTE RESOLUTION.....	38
H.	CONSENT TO JURISDICTION.	39
I.	WAIVER OF RIGHTS AND LIMITATIONS ON CLAIMS.....	39
J.	INJUNCTIVE RELIEF.....	39
K.	BINDING EFFECT.....	39
L.	CONSTRUCTION.	40
M.	COVENANT OF GOOD FAITH	41
N.	INTERIM TERM.	41
O.	FORCE MAJEURE.....	42
P.	LIMITED LIABILITY FOR OUR RELATED PARTIES.....	42
18.	NOTICES AND PAYMENTS.....	42
19.	ACKNOWLEDGMENTS.....	43

EXHIBITS

- A. Territory, Site, Term
- B. ACH Authorization Form

Initial: _____
Initial: _____

**MAJESTIC RESIDENCES
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of this ____ day of _____, 20__ (the "**Effective Date**"), by and between **MAJESTIC RESIDENCES FRANCHISE SYSTEMS, LLC**, a Delaware limited liability company, with its principal business address at 460 South Greenfield Road, Suite 5, Mesa, Arizona 85206 ("**Majestic Residences**," "**we**," "**us**" or "**our**"), and _____, whose principal business address is _____ ("**you**" or "**your**").

1. PREAMBLES, ACKNOWLEDGEMENTS AND GRANT OF FRANCHISE.

A. PREAMBLES.

(1) We and our affiliates have designed and developed valuable and proprietary formats and systems for the development and operation of residential assisted living homes and related services under the name "Majestic Residences" ("**Majestic Residences Business**").

(2) We have developed and use, promote and license certain trademarks, service marks and other commercial symbols in operating Majestic Residences Businesses, including "Majestic Residences" and we may create, use and license other trademarks, service marks and commercial symbols for use in operating Majestic Residences Businesses (collectively, the "**Marks**"). The Term "Marks" also includes any distinctive trade dress used to identify Majestic Residences, whether now in existence or hereafter created.

(3) We have developed and license certain works and materials for which we have secured common law or registered copyright protection and that we allow franchisees to use, sell or display in connection with the marketing and/or operation of a Majestic Residences, whether now in existence or created in the future (collectively, the "**Copyrights**").

(4) We offer franchisees who meet our minimum standards for character, skill, aptitude, attitude, English language proficiency (to ensure you can effectively communicate with your staff, your clients and us) business ability and financial capacity, the right to own and operate a Majestic Residences offering the services we authorize (and only the services we authorize) and using our business system, business formats, methods, procedures, signs, designs, layouts, standards, specifications, Copyrights and Marks, all of which we may improve, further develop and otherwise modify from time to time (collectively, the "**Franchise System**").

Initial: _____

Initial: _____

(5) You have applied for a franchise to own and operate a Majestic Residences, and we have approved your application relying on all of your representations, warranties and acknowledgments contained in the application and this Agreement.

B. GRANT OF FRANCHISE/INITIAL AND SUCCESSOR TERMS

You have applied for a franchise to own and operate a Majestic Residences within the geographic area that we identify ("**Territory**"). The approximate size and shape of the Territory will be twice the state or local required minimum distance separating assisted care facilities from the location of your Majestic Residences Home ("**Home**"). (Your Territory will also take into consideration the specific market variables of your location, such as population density, market trends, traffic flow, the location of other Majestic Residences Businesses and natural and man-made boundaries. The Territory will be described on Exhibit A of your Franchise Agreement by street map landmarks or zip codes. Unless the geographic area comprising the Territory is identified on Exhibit A attached to this Agreement at the time you sign this Agreement, the Territory shall be determined after you sign this Agreement, but prior to our approval of a proposed location within the Territory for your Home. We will work with you in an attempt to identify a mutually agreeable Territory. If you and we cannot agree on the Territory, we have the right to determine it. Once your Territory is determined, Exhibit A shall be modified to identify the exact geographic area comprising the Territory. Subject to the terms of this Agreement, we grant you a franchise (the "**Franchise**") to operate a Majestic Residence (the "**Business**") at the site of the approved location and to use the Franchise System in its operation, for a term beginning on the execution date of your Franchise Agreement and expiring five (5) years from that date (the "**Initial Term**"). You may request up to three (3) successive terms of five (5) years, subject to our approval in our sole discretion. You may not relocate your Home to a different Site without our prior written approval, which shall not be unreasonably withheld, provided that you comply with our then-current Majestic Residences location standards.

C. RIGHTS MAINTAINED BY US.

We (and any affiliates that we might have from time to time) shall at all times have the right to engage in any activities we deem appropriate that are not expressly prohibited by this Agreement, whenever and wherever we deem necessary, including, but not limited to:

(1) establishing and operating Majestic Residences Homes, and granting rights to other persons to establish and operate Majestic Residences Homes, on any terms and conditions we deem appropriate and at any locations other than within the Territory;

(2) providing, and granting rights to other persons to provide services similar to and/or competitive with those provided at Majestic Residences Homes to owners located within the Territory as identified by other trademarks and service marks other than a Majestic Homes

Initial: _____

Initial: _____

(3) acquiring the assets or ownership interests of one or more businesses providing services similar to those provided at Majestic Residences Homes, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including within the Territory); and

(4) being acquired (regardless of the form of transaction) by a business providing services similar to those provided at Majestic Residences, or by another business, even if such business operates, franchises and/or licenses competitive businesses within the Territory.

With respect to the acquisitions referenced in number 3 and number 4 above, you acknowledge and agree that the competitive businesses that are acquired (or that are operated by a company that acquires us) may be converted into Majestic Residences Businesses that operate under the Marks, regardless of their location, including competitive businesses that are located within the Territory on the date of the acquisition.

2. SITE SELECTION, LEASE OF SITE AND DEVELOPMENT AND OPENING OF YOUR MAJESTIC RESIDENCES.

A. SITE SELECTION.

Majestic Residences franchisees are required to own or lease space from which to operate their Business. The Homes typically have at least 2500 square feet. The Home must have a street address.

We do not select the site for your Home. However, before opening, we must approve the Home as meeting Majestic standards. Upon our written approval, you may relocate your Home provided it is within your Territory. In reviewing a request to relocate, we would consider all of the same factors that we consider in evaluating your initial site. Before you can commence the Business, the Home must meet our standards as specified in the Confidential Operations Manual ("Manual") and comply with all pertinent state and local regulations and ordinances necessary for the lawful operation of the Home, which may include acquisition of certain licenses such as a Food Handler's permit. Additionally, there will be nationwide contracts that we intend to procure for the delivery of necessary services for your clients that we will require that you obtain. These contracts with third party vendors will be specified to you in the Manual and revised from time to time via amendments made to the Manual in written or electronic format at our option.

You must maintain your Home in good condition at your expense, including cleaning, repainting and redecorating on an as-needed basis, and repair or replace worn-out or obsolete equipment.

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B. DEVELOPMENT OF THE MAJESTIC RESIDENCES.

We will impose specific construction or design standards which will be provided in the Manual. At all times, the Home must comply with our System requirements and state and local laws and ordinances governing assisted living facilities.

C. COMPUTER SYSTEM.

You agree to use in operating your Business the computer equipment, operating software and communications equipment (collectively, the "**Computer System**") that we specify from time to time. You further agree to comply with the policies relating to the Computer System that we specify from time to time, including our IT policies. You must obtain the Computer System, software licenses, maintenance and support services and other services related to the Computer System from the suppliers we specify (which may be limited to us or our affiliates). We may periodically modify specifications for components of the Computer System. These modifications and/or other technological developments or events may require you to purchase, lease and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System, you agree to incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions or modifications) and required service or support. We have no obligation to reimburse you for any Computer System costs. Within sixty (60) days after you receive notice from us, you agree to obtain the components of the Computer System that we designate and ensure that your Computer System, as modified, is functioning properly. The specifications for the computer system and software required will be contained in the Manual and updated in the Manual as necessary.

We will charge you a monthly technology fee of \$300 per month that will be directly debit on the 10th day of each month of operation of your franchise. We may also enter into a license agreement with a third-party licensor of software and then sublicense the software to you. If we or our affiliates license proprietary software or sublicense other software to you, or otherwise allow you to use similar technology we develop, maintain or sublicense, you agree to sign any software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities with respect to, the software and pay any associated required licensing fees.

In addition to the aforementioned obligations regarding use and maintenance of your Computer Systems, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, updates and upgrading of the Computer System, that we periodically require; (2) the manner in which your Computer System interfaces with our computer system and those of other third parties; (3) the installation, maintenance and support of the Computer System, although we may from time to time require or recommend third parties to provide these functions; and (4) any and all consequences that may arise if the Computer System is not properly operated, maintained and upgraded, including but not limited to virus and spyware issues.

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D. OPENING.

If you are converting an existing residential care home to a Majestic Residence Home, you must open your Home for business utilizing the Franchise System, within sixty (60) days after the Effective Date of this Agreement. If you re-design an approved existing location to become a Majestic Residences Home, you must complete the modifications and open for business within 180 days after the Effective Date of this Agreement. If you are building a new Home, you must open for business within 365 days after the Effective Date of this Agreement. However, you may not open your Home for business until: (1) pre-opening training described in Section 4.A has been completed to our satisfaction; (2) you have paid all amounts due to us, our affiliates and our designated and approved vendors; (3) you have satisfied all bonding, licensing, and other legal requirements for the lawful operation of your Business and given us satisfactory evidence of compliance; and (4) we have received the required evidence that you have obtained the insurance required by this Agreement.

BY VIRTUE OF COMMENCING OPERATIONS OF YOUR BUSINESS, YOU ACKNOWLEDGE THAT WE HAVE FULFILLED ALL OF OUR OBLIGATIONS TO YOU THAT WE ARE REQUIRED TO FULFILL PRIOR TO THE OPENING OF YOUR MAJESTIC RESIDENCES.

E. GRAND OPENING MARKETING PROGRAM.

You must, at your expense, and with our prior written approval, execute a grand opening marketing program for your Business in accordance with the System Standards (as defined below) for grand openings of Majestic Residences Businesses in varying market conditions. You must pay us a Majestic Moments Package fee of \$5,000 upon execution of your Agreement. You agree to use only the media, materials, methods and formats we develop or approve according to Section 9 below.

The initial launch marketing shall comply with the strategies and materials suggested by us or approved by us and are consistent with guidelines specified in the Manual.

3. FEES.

A. INITIAL FRANCHISE FEE.

You agree to pay us a nonrecurring and nonrefundable initial franchise fee upon the execution of your Agreement. The initial fee varies by type of Home in which you will operate your business as follows:

(i) **Conversion:** If you are converting an existing, currently licensed and operating Residential Assisted Living Home (home) to a Majestic Residence Home, the fee is \$10,000 in one lump sum. Among the System Standards required for your Home to be considered a Conversion, your home must be currently operating and licensed, and you must have been the owner of the business for the last 12 consecutive months.

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(ii) **New Build:** If you are acquiring and/or constructing a new Home the initial franchise fee is \$49,500. However, if you are a Platinum Student of the RAL Academy, an Arizona limited liability company ("RALA") and have fully paid RALA's tuition of \$30,000, your initial franchise fee shall be \$19,500 for your first Home. If you are a Gold Student of RALA and have fully paid the tuition of \$15,000, your initial franchise fee shall be \$34,500 for the first Home. This fee is fully earned by us when you sign this Agreement.

At our discretion, we may offer qualified candidates the option to purchase more than one, single unit franchise. If you are an existing franchisee with at least one unit open and operating in full compliance for at least 6 consecutive months or are entering the system with more than one fully licensed home, you may request to be approved for an additional unit(s) initially. Franchisees will be required to sign the then-current franchise agreement for each additional Home they open. The fee per unit will range from \$5,000 - \$39,500, as indicated below, depending on the level of training requested. We retain the right to determine the level of training a franchisee may require.

ADDITIONAL UNIT FEE SCHEDULE (COST PER UNIT)	
ALL PHASES OF TRAINING	\$39,500
PHASES 2&3 ONLY	\$25,000
GRAND OPENING SERVICES & PHASE 3 TRAINING	\$10,000
PHASE 3 TRAINING ONLY	\$5,000

Except as described in this section, the initial franchise fee is uniform. You must pay us the initial franchise fee in a lump sum when you sign the Franchise Agreement. The initial franchise fee is uniform, deemed fully earned by us when you sign the Franchise Agreement, and is not refundable under any circumstances.

B. ROYALTY.

You agree to pay us a monthly royalty ("**Royalty**") on the 10th day of each month ("**Payment Day**"). For the first twelve months of operation, your monthly royalty will be six percent (6%) of your "**Gross Revenues**" from the previous month's operations. Collection of your monthly royalties shall commence on the second (2nd) month of operation. Commencing in the 13th month of operation, your Royalty shall be the greater of 6% of Gross Revenues or \$900.

In the event that you do not commence operations within the first year after execution of this Agreement, you agree to pay us a royalty of \$500/month by direct debit on or about the 10th of each month until you open your Home.

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In this Agreement, "**Gross Revenues**" is defined as the total of all revenue and receipts derived from the operation of the Business, including, but not limited to, all amounts received at or away from the site of the Home, or through or by means of the business you conduct at your Home, regardless of the type of tender or services exchanged. For purposes of clarification, all revenue includes fees from residents and from day care services performed to nonresidents. This figure will exclude sales taxes collected from clients, which are to be paid to the appropriate taxing authority, and commissions paid to placement agents, and without limiting the generality of the foregoing.

You must execute and deliver to us an ACH Authorization Form allowing us to electronically debit a banking account that you designate (your "**Account**") for (i) all fees payable to us under this Agreement and (ii) any amounts that you owe to us or any of our affiliates for the purchase of services. Our current form of ACH Authorization Form is attached to this Agreement as Exhibit B. You further agree to sign and deliver to us any other documents that we or your bank may require from time to time to authorize us to debit your Account for such amounts. You must deposit into the Account all Gross Revenues generated by your Business. We will debit your account for the Royalty on or after the Payment Day, based on Gross Revenues for the previous month. You agree to make the funds available for withdrawal by electronic transfer before each due date. If you fail to report your Gross Revenues for any month, we may debit your account for one hundred twenty percent (120%) of the Royalty that we debited for the previous month. If the Royalty we debit from your account is less than the Royalty you actually owe us (once we have determined your true and correct Gross Revenues for the month), we will debit your account for the balance of the Royalty due on the day we specify. If the Royalty we debit from your account is greater than the Royalty you actually owe us for the month (once we have determined your true and correct Gross Revenues for the week), we will credit the excess against the amount we otherwise would debit from your account during the following month, without interest.

C. MONTHLY TECHNOLOGY FEE.

We will charge you a monthly technology fee of \$300 upon commencement of your Majestic Business for software that we, our affiliates or third parties license to you and/or for other Computer System maintenance and support services. This fee will be debited on the 10th day or every month of operation of your franchise. If we, our affiliates or third parties license proprietary software to you, or otherwise allow you to use similar technology, you will need to sign a software license agreement.

D. MINIMUM PERFORMANCE REQUIREMENTS.

In order to maintain your franchise, you agree that you will meet or exceed \$15,000 in revenues each month beginning the 13th month of operation. If these minimum revenue amounts are not attained, we have the right to terminate your franchise.

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E. INTEREST ON LATE PAYMENTS; DISHONORED CHECKS.

All amounts which you owe us (including Royalty payments), if not paid on the due date, will bear interest at the rate of fifteen percent (15%) per annum or the highest commercial contract interest rate the law allows, whichever is less. We will calculate the interest that we charge you on the basis of monthly compounding and the actual number of days elapsed divided by 365. You shall pay us a fee of \$25 each time a check or EFT to us you write or initiate to us is dishonored by your bank. You acknowledge that this Section 3.D does not reflect any agreement by us to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, the Business. You further acknowledge that your failure to pay all amounts that you owe us when due constitutes grounds for our terminating this Agreement under Section 14, notwithstanding this Section 3.E.

F. APPLICATION OF PAYMENTS AND RIGHT OF SET-OFF.

Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us (or our affiliates). We may set off any amounts you owe us or our affiliates against any amounts we or our affiliates might owe you.

G. SUCCESSOR FEE.

If you decide to acquire an additional term at the expiration of the Initial Term, you agree to pay us a nonrecurring and nonrefundable Successor Fee of \$5,000. The Successor Fee is due and is fully earned by us when you sign the Successor Agreement.

H. PROFESSIONAL ASSOCIATION MEMBERSHIP.

You will be required to obtain, and maintain, a membership in a professional association. We will work with you to determine which association will be most beneficial to your specific needs.

4. TRAINING AND ASSISTANCE.

A. TRAINING.

Before your Business opens, we will provide sufficient training to you and your Principal Operator (as defined in Section 8A) based upon whether you have a conversion franchise or purchasing and newly constructing a Majestic Residences Home. The initial training program will include classroom training at our corporate headquarters, or other location designated by us in our sole discretion and approximately 5 days of on-site training at your Home. Your Principal Owner and one additional person (your Operations Manager should you designate one (defined in Section 8.A)) must complete the initial training to our satisfaction and participate in all other activities we require before opening your Business. Although we provide this training at no additional fee, you must pay all travel and living expenses that you and your personnel incur.

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In the event that your Principal Owner fails to satisfactorily complete and pass the required initial training class, then we reserve the right, in our sole discretion, to require your Principal Owner (or a successor Principal Owner that you appoint and we approve) to attend additional training, and we will charge you an additional training fee of \$500 per day, per person. If your Principal Owner is unable to satisfactorily complete and pass that training class, we reserve the right, in our sole discretion, to terminate this Agreement. If we determine that your Operations Manager or any of your employees has failed to satisfactorily complete the training program, you agree to immediately hire a substitute and promptly arrange for such person to complete the training program to our satisfaction. You shall pay the additional training fee for training programs furnished to any individual who replaces an employee who has previously attended the training program. You are responsible for all travel and living expenses.

We may require you and/or your previously trained and experienced employees to attend up to 4 days of additional or refresher training courses each year including attendance at an annual convention at the times and locations we designate. We may charge a fee of \$300 per day per person for these courses, conventions and programs. In the event that you fail to attend the annual convention, we may charge a penalty of up to \$300 per person per day for the duration of the annual convention or program. You are responsible for all travel and living expenses.

B. ON-SITE ASSISTANCE.

We may provide, in our discretion, on-site advice, guidance and support in connection with the opening and initial operations of your Business. If we determine, in our sole discretion, that additional on-site assistance is necessary or beneficial, we have the right, at our option, to provide such additional on-site assistance. You will be required to pay reasonable fees for any such additional on-site assistance and will also be responsible for the reasonable travel or living expenses incurred by our personnel in providing such additional on-site assistance.

C. GENERAL GUIDANCE.

We will advise you from time to time regarding your Business' operation based on your reports or our inspections. We will provide guidance to you in our Manual; in bulletins or other written materials; by electronic media; by telephone consultation; and/or at our office or your Business. We agree that we will negotiate and administer on your behalf placement agreements with reputable third parties to assist marketing efforts to identify residents for your Home. If you request and we agree to provide additional or special guidance, assistance or training, you must pay our then-applicable charges, including our personnel per diem charges and any reasonable travel and living expenses.

D. CONFIDENTIAL OPERATIONS MANUAL.

We will loan you, to use in operating your Business during this Agreement's term, one (1) copy of our Manual, which may be made available electronically at our discretion (via FTP download or USB drive or other mutually agreed media) or digitized for written materials and

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which may be available to you by various means, including access through the Internet. The Manual contains mandatory and suggested specifications, standards, operating procedures and rules that we periodically prescribe for operating a Majestic Residences ("**System Standards**") and information on your other obligations under this Agreement. The Manual is incorporated by reference into this Agreement and is a binding part of this Agreement. We may modify the Manual periodically to reflect changes in System Standards. You agree to keep your copy of the Manual current and in a secure location at your Home. If there is a dispute over its contents, our master copy of the Manual shall prevail. You agree that the contents of the Manual are confidential and that you will not disclose the Manual to any person other than your employees who need to know its contents. You may not at any time copy, duplicate, record or otherwise reproduce any part of the Manual. Any personnel policies or procedures which are made available in the Manual are for your optional use and are not mandatory. You shall determine to what extent, if any, such personnel policies and procedures may be applicable to your Business operations in your jurisdiction. You and we recognize that we neither dictate nor control labor and employment matters for you and your employees.

E. DELEGATION OF PERFORMANCE.

You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third party designees, whether these designees are our agents or independent contractors with whom we contract to perform these obligations.

5. MARKS AND COPYRIGHTS.

A. OWNERSHIP AND GOODWILL OF MARKS AND COPYRIGHTS.

Your right to use the Marks and Copyrights is derived only from this Agreement and is limited to the operation of your Business according to this Agreement and all System Standards we prescribe during its term. Your unauthorized use of the Marks or Copyrights is a breach of this Agreement and infringes on our rights in the Marks or Copyrights, as applicable. You acknowledge and agree that your use of the Marks and any goodwill established by that use are for our exclusive benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate your Business under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional and substitute trademarks and service marks we authorize you to use. Similarly, all provisions in this Agreement relating to the Copyrights apply to any additional and substitute Copyrights we authorize you to use.

B. LIMITATIONS ON YOUR USE OF MARKS AND COPYRIGHTS.

You agree to use the Marks as the sole identification of your Business (subject to the notices of independent ownership we designate). You may not use any Mark: (1) as part of any corporate or legal business name; (2) with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we have licensed to you); (3) providing any unauthorized

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services; (4) as part of any domain name, electronic address or search engine you maintain on any **"Website"** (as defined in Section 9.E) without our consent; or (5) in any other manner we have not expressly authorized in writing. You may not use any Mark in advertising the transfer, sale or other disposition of your Business or an ownership interest in you (if a corporation, partnership, limited liability company or another business entity (an **"Entity"**) holds the Franchise at any time during this Agreement's term) without our prior written consent, which we will not unreasonably withhold. You agree to prominently display the Marks at your Business Home in the manner we prescribe and on forms, advertising, supplies, employee uniforms and other materials we designate. You agree to give the notices of trademark and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law. You may not use the Copyrights in any manner that we have not approved.

C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.

You agree to notify us immediately of any apparent infringement of or challenge to your use of any Mark or Copyright, or of any person's claim of any rights in any Mark or Copyright, and not to communicate with any person other than us and our attorneys, and your attorneys, regarding any such infringement, challenge or claim. We may take the action we deem appropriate (including no action) and exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising from any infringement, challenge or claim or otherwise concerning any Mark or Copyright. You agree to sign any documents and take any actions that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks or Copyrights.

D. DISCONTINUANCE OF USE OF MARKS OR COPYRIGHTS.

If we believe at any time that it is advisable for us and/or you to modify or discontinue using any Mark or Copyright and/or use one or more additional or substitute trademarks, service marks or copyrights, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your expenses in complying with these directions (such as costs you incur in changing your signs or replacing supplies), for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

E. INDEMNIFICATION FOR USE OF MARKS.

We agree to reimburse you for all damages (excluding consequential and punitive damages) and expenses you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement if you have timely notified us of the proceeding, have complied with this Agreement, and comply with our directions in responding to the proceeding. At our option, we may defend and control the defense of any proceeding relating to any Mark.

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6. CONFIDENTIAL INFORMATION.

We possess (and will continue to develop and acquire) certain confidential information relating to the development and operation of Majestic Residences Businesses (the "**Confidential Information**"), which includes (without limitation):

- (1) methods, formats, specifications, standards, systems, business policies, procedures, sales and marketing techniques, knowledge and experience used in developing and operating Majestic Residences Business;
- (2) marketing research, promotional, marketing and advertising programs for Majestic Residences Business;
- (3) knowledge of specifications for and suppliers of certain items that Majestic Residences Businesses use;
- (4) knowledge of the operating results and financial performance of Majestic Residences Businesses other than your Business;
- (5) client communication and retention programs, along with data used or generated in connection with those programs;
- (6) graphic designs and related intellectual property;
- (7) information generated by, or used or developed in, your Business' operation, including client names, addresses, telephone numbers and related information and any other information contained from time to time in your Computer System; and
- (8) any other information designated as confidential or proprietary by us.

You acknowledge and agree that by entering into this Agreement and/or acquiring the Franchise you will not acquire any interest in Confidential Information, other than the right to use certain Confidential Information in operating your Business during this Agreement's term and according to the System Standards and this Agreement's other terms and conditions, and that your use of any Confidential Information in any other business would constitute an unfair method of competition with us and our franchisees. You further acknowledge and agree that the Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you agree, and you do agree, that you:

- (a) will not use any Confidential Information in any other business or capacity;
- (b) will keep the Confidential Information absolutely confidential during and after this Agreement's term;

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(c) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form;

(d) will adopt and implement all reasonable procedures that we periodically prescribe to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restricting its disclosure to your personnel and others needing to know such Confidential Information to operate your Business, and using confidentiality and non-disclosure agreements with those having access to Confidential Information. We have the right to regulate the form of agreement that you use and to be a third party beneficiary of that agreement with independent enforcement rights; and

(e) will not sell, trade or otherwise profit in any way from the Confidential Information, except using methods approved by us.

"Confidential Information" does not include information, knowledge or know-how which is or becomes generally known in the residential care home business or which you knew from previous business experience before we provided it to you (directly or indirectly) or before you began training or operating your Business. If we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove the validity of the claim for exclusion .that the exclusion in this paragraph is fulfilled.

7. EXCLUSIVE RELATIONSHIP.

You acknowledge that we have granted you the Franchise in consideration of and in reliance upon your agreement to deal exclusively with us in the Business. You therefore agree that, during this Agreement's term, neither you nor any of your shareholders or partners (if you are doing business as a corporation, limited liability company or partnership) nor any member of your immediate family will:

(a) have any direct or indirect, controlling or non-controlling interest as an owner - whether of record, beneficial or otherwise in a Competitive Business (defined below), wherever located or operating;

(b) perform services as a director, officer, manager, employee, consultant, representative or agent, or in any other capacity, for a Competitive Business, wherever located or operating;

(c) directly or indirectly loan any money or other services of value to, or guarantee any other person's loan to, any Competitive Business or any owner, director, officer, manager, employee or agent of any Competitive Business, regardless of the location of operation

(d) employ or seek to employ any person who is, or within six (6) months of such employment or solicitation was, an employee of us, our affiliates or our or

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their franchisees or licensees, or otherwise directly or indirectly induce that person to leave such employment, without obtaining our or the employer's prior written permission; or

(e) divert or attempt to divert any actual or potential business or client of your Business to a Competitive Business.

The term "**Competitive Business**" means any business (or division of a business) that derives any revenue from development or construction and operation of residential assisted living home.

8. OPERATION AND SYSTEM STANDARDS FOR MAJESTIC RESIDENCES BUSINESSES.

A. PRINCIPAL OWNER & OPERATIONS MANAGER.

Concurrently with the execution of this Agreement, you shall designate one of your Owners who holds at least a 50% ownership interest in the Franchise to serve as the Principal Owner (the "**Principal Owner**") of your Business as described in this Agreement. The Principal Owner must successfully complete our initial training program before the opening of your Business. Any substitute Principal Owner must also complete our initial training program. You shall pay the charges that we establish for training programs furnished to any individual who replaces a previously trained Principal Owner.

You may request that we approve an operations manager (the "**Operations Manager**") of your Business as described in this Agreement if the Principal Owner does not intend to devote full time to management of the Majestic Business. The Operations Manager will then exert sufficient efforts to fulfill your obligations under this Agreement and will not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility or time commitments, or that may otherwise conflict with your obligations under this Agreement. The Principal Owner is responsible for supervising all activities of the Operations Manager, unless the Principal Owner also serves as the Operations Manager. If the relationship of the Operations Manager to you terminates or materially changes, you agree to promptly designate a replacement. The Operations Manager must successfully complete our initial training program before assuming an active role in the Business. Any replacement Operations Manager must also complete our initial training program. You shall pay the charges that we establish for training programs furnished to any individual who replaces a previously trained Operations Manager.

B. CONDITION AND APPEARANCE OF YOUR MAJESTIC RESIDENCES HOME.

You agree that you will not use any part of the Home for any purpose other than operating a Majestic Residences Home in compliance with this Agreement. You agree to place or display at your Home (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos and display and advertising materials that we from time to time approve during this Agreement's term. You further agree to maintain the condition and appearance of your Home in

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accordance with our System Standards and consistent with the image of a Majestic Residences as a professionally operated business offering high quality services and observing the highest standards of professionalism, cleanliness and courteous service. In connection therewith, you agree to take, without limitation, the following actions during this Agreement's term at your expense: (1) thorough cleaning, repainting and redecorating of the interior and exterior of your Home at intervals that we may prescribe which may be as often as annually; (2) interior and exterior repair of your Home as needed; and (3) repair or replacement, at our direction, of damaged, worn-out or obsolete equipment at intervals that we may prescribe (or, if we do not prescribe an interval for replacing any equipment, as that equipment needs to be repaired or replaced) (4) modifications required by any state or local law or regulation pertaining to the operation of your Majestic Residences Business. Should our requirements conflict with state or local laws or regulations, you will provide us the information relating these local regulatory requirements and, in that event, the local law or regulation will control

In addition to your obligations described above, we may periodically require you to substantially alter your Home's appearance, including any current furniture, signage layout and/or design, and/or replace a material portion of your equipment, in order to meet our then current requirements for new Majestic Residences Businesses such as significantly remodeling and or renovating your Home. Any capital expenditures required to comply with your obligation and System Standard requirements will be at your cost. Nothing in this paragraph in any way limits your obligation to comply with all mandatory System Standards we specify.

To maintain a high level of service to your clientele and to preserve brand integrity, we do require each home to obtain and maintain accreditation with the JCAHO (Joint Commission of Accredited Health Organizations ("JCAHO")). This accreditation occurs every three years during the term of the franchise and any successor term(s). You must complete your initial accreditation by the JCAHO shortly after your first year of operations and when we, in our sole discretion, believe that your Home is ready to be accredited. The cost at present is \$3,300 per year commencing in year two and every year thereafter. Approximately every third year throughout the Term and any Successor Term, the actual accreditation occurs. In those years, there is an additional fee of approximately \$4,845, subject to adjustment by the JCAHO or our negotiations with them. These fees are paid to the JCAHO directly.

C. SERVICES YOUR BUSINESS OFFERS.

You agree that: (1) your Business will offer all services that we periodically specify; (2) you will not offer, sell, give away or otherwise provide at your Home or any other location any services we have not authorized; (3) you shall not sell or market any services other than approved channels of distribution, e.g., toll free telephone numbers or electronic means including the Internet); (4) you shall not perform residential care home services from any location other than your Home; and (5) you will discontinue selling and offering for sale any services that we at any time disapprove in writing.

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Currently, we are commencing a program that will enable you to offer residents of your Home the opportunity to travel with their family(ies) to the Dominican Republic and to have your residents housed on a temporary basis at a Home of one of our franchisees, provided that there is availability. You agree to participate and advertise that opportunity as we direct. Further, you agree to share revenues with the Dominican Republic franchisees during the period that they are providing services to your residents. The details pertaining to the revenue split and royalty obligations between you and the Dominican franchisee shall be detailed within our Operations Manual. Additionally, we do permit you to offer day care services to nonresidents utilizing a fee schedule that we have approved prior to your initiating that service.

D. APPROVED DISTRIBUTORS AND SUPPLIERS.

We reserve the right to periodically designate and approve standards, specifications, suppliers and/or distributors for support services we periodically authorize or require for use at your Business. During this Agreement's term you must acquire all support services for your Business only according to our standards and specifications and, if we require, only from suppliers or distributors that we designate or approve (which may include or be limited to us and/or our affiliates). You acknowledge and agree that we and/or our affiliates may derive revenue based on your purchases and leases (including, without limitation, from charging you for services we or our affiliates provide to you and from promotional allowances, volume discounts and other payments made to us by suppliers that we designate or approve for some or all of our franchisees). You will receive a list of currently approved vendors which might include a sole approved supplier or vendor for a specific service or product. We may alter or discontinue utilizing various vendors and you agree to comply immediately upon notification. All business transactions between you and designated suppliers and vendors are between you and that business and any issues with suppliers and vendors will be your sole responsibility and not our responsibility.

If you want to use any support services that we have not yet evaluated or purchase any item from a supplier or distributor that we have not yet approved (for items that we require you to purchase from designated or approved suppliers or distributors), you first must submit sufficient information, specifications and, if applicable, samples for us to determine whether the item complies with our standards and specifications or the supplier or distributor meets our criteria. We may condition our approval of a supplier or distributor on requirements relating to product quality, prices, consistency, warranty, reliability, financial capability, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) or other criteria. We have the right to inspect the proposed supplier's or distributor's facilities and to require the proposed supplier or distributor to deliver product samples or items, if applicable, at our option, directly to us. We reserve the right to periodically re-inspect the facilities of any approved supplier or distributor and to revoke our approval if the supplier or distributor does not continue to meet our criteria.

E. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES/ BRAND PROTECTION.

Initial: _____

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It is your sole and absolute obligation to research all applicable federal, state and local laws and regulations governing the operation of your Business and to ensure that such operation does not violate any federal, state or local law or regulation. You must secure and maintain in force throughout this Agreement's term all required licenses, permits and certificates relating to the Business' operation and operate the Business in full compliance with all applicable laws, ordinances and regulations pertaining to residential assisted living facilities and maintain all required licenses at all times. In all dealings with clients, suppliers, us and the public, you and your employees must adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which might injure our business or the goodwill associated with the Marks or other Majestic Residences Businesses. You must notify us in writing within five (5) days of: (1) the commencement of any action, suit or proceeding relating to your Business; (2) the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality which might adversely affect your operation or financial condition or that of your Business (including, without limitation, the revocation or threatened revocation of any license, permit or certification applicable to your Business); and (3) any notice of violation of any law, ordinance or regulation relating to your Business.

F. INSURANCE.

At your sole cost and expense, you must procure and maintain in full force and effect at all times during this Agreement's term, insurance policies at or above the minimum amounts required below, and shall provide us with proof of coverage when the policy goes into force and upon our request..

Insurance Policies. You shall maintain the following insurance policies issued by carriers approved by us:

Comprehensive general liability insurance and umbrella insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Business, containing minimum liability protection of \$1,000,000 combined single limit per occurrence, and \$2,000,000 in the aggregate (unless greater amounts are required by your landlord, local governmental authority, etc.), with a maximum deductible of \$1,000 per claim;

Worker's compensation insurance and employer's liability insurance as required by law;

Automobile liability and property damage insurance covering all loss, liability, claim or expense of any kind whatsoever resulting from the use, operation, or maintenance of any automobiles or motor vehicles, owned, leased, or used by you, or your officers, directors, employees, partners or agents, in the conduct of your Business, containing minimum liability protection of \$1,000,000 per claim;

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Professional liability insurance coverage liability due to errors or omissions in the performance of services under this Agreement, with limits not less than \$1,000,000 per claim/occurrence and \$3,000,000 annual aggregate.

Any other insurance that we specify in the Manual or otherwise require from time to time.

Carriers. All insurance policies shall be issued by insurance carriers rated A-VIII or better by Alfred M. Best & Company, Inc. (or similar criteria as we periodically specify). All carriers must be licensed and approved in the state in which your Business is located. We reserve the right to approve or deny a specific carrier or require you to place required insurance with a carrier that we designate.

Waiver of Subrogation; Notification by Carrier. All insurance policies required in this Section shall name us (and our members, officers, directors, and employees) as additional insureds, contain a waiver by the insurance carrier(s) of all subrogation rights against us, and shall provide that we receive thirty (30) days prior written notice of termination, expiration, cancellation or modification of any such policy. Should any of your insurance companies fail to give us notice as required in this Section, then the policy of that company may be disapproved by us. In that event, you will be required to immediately find additional coverage satisfactory to us with an alternative carrier.

Modification of Coverage by Us. Upon ten (10) days' notice to you, we may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances.

Certificate of Insurance; Coverage by Us. You shall furnish to us annually a copy of the certificate of insurance or other evidence of the renewal or extension of each such insurance policy. If you at any time fail or refuse to maintain in effect any insurance coverage required by us, or to furnish satisfactory evidence thereof, we, at our option and in addition to our other rights and remedies in this Agreement, may, but need not, obtain such insurance coverage on behalf of you, and you shall promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to us, on demand, any costs and premiums incurred by us and we may, at our option, debit your account for the amount of such costs or premiums. Your failure to provide insurance coverage as indicated will be considered a material event of default of this Agreement. Your obligation to obtain and maintain the insurance described in this Section shall not be limited in any way by reason of any insurance maintained by us, nor shall your performance of such obligations relieve you of any indemnification obligations contained in this Agreement.

Further, if renting your Majestic Residence, you agree to use best efforts to have your landlord's insurance company provide us with a Certificate of Insurance indicating the

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required coverages are in force and, additionally, giving us thirty (30) days notification of any termination, expiration, cancellation or modification of the landlord's policy.

G. COMPLIANCE WITH SYSTEM STANDARDS.

You acknowledge that compliance with the entirety of the System Standards is essential not only for the success of your individual Business, but also to preserve the goodwill of the Marks and all Majestic Residences Businesses within the Majestic Residences Franchise Services system. Therefore, you agree at all times to operate and maintain your Business according to each and every System Standard, as we periodically modify and supplement them. Except as otherwise specifically described in Section 4.D, System Standards may regulate any aspect of the operation and maintenance of your Business, including but not limited to any one or more of the following:

- (1) sales, marketing, advertising and promotional programs and materials and media used in these programs;
- (2) staffing levels for your Business, dress and appearance for your employees (although you have sole responsibility and authority for your employees' terms and conditions of employment);
- (3) minimum licensing, certifications, educational background, credentials and skill levels of performing services at your Business;
- (4) specification of required and authorized services;
- (5) use and display of the Marks;
- (6) days and hours of operation;
- (7) dedicated phone line that is answered with a greeting referring to Majestic Residences and not a personal greeting;
- (8) client service standards and policies;
- (9) participation in market research and testing and product and service development programs;
- (10) accepting credit and debit cards, other payment systems and check verification services;
- (11) bookkeeping, accounting, data processing and record keeping systems and forms; formats, content and frequency of reports to us of sales, revenue, and financial reports and condition; and giving us copies of tax returns and other operating and financial information concerning the Franchise; and

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(12) any other aspects of operating and maintaining your Business that we determine to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and Majestic Residences Businesses.

You agree that all mandatory System Standards we prescribe in the Manual, or otherwise communicate to you in writing or another form, are part of this Agreement. All references to this Agreement include all mandatory System Standards as periodically modified. You acknowledge that our periodic modification of our System Standards (including, without limitation, changes to the Computer System's components), which may accommodate regional and/or local variations, may obligate you to invest additional capital in your Business and incur higher operating costs, and you agree to comply with those obligations within the time period we specify. If we notify you of a failure to comply with our System Standards and you fail to correct the non-compliance within the period of time that we require, then, in addition to any other remedies available to us under this Agreement (including, but not limited to, termination of this Agreement), we may impose a fine of up to \$500 per occurrence. Our collection of a fine for an uncured breach of any System Standard shall not preclude us from subsequently terminating this Agreement at any time that the breach remains uncured.

H. ANTI-TERRORISM AND ANTI-CORRUPTION LAWS.

You represent and warrant to Majestic Residences that neither you nor any of your Related Parties or employees: (i) are identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts available at www.treas.gov/offices/enforcement/ofac/; or (ii) have violated any law (in effect now or which may become effective in the future) prohibiting corrupt business practices, money laundering or the aid or support of persons or entities who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act, as amended (text available at <http://www.epic.org/privacy/terrorism/hr3162.html>). U.S. Executive Order 13224 (text at <http://www.treasury.gov/resource-center/sanctions/Documents/>), or similar law. You agree that neither you nor any of your Related Parties will violate any such laws. The foregoing constitute continuing representations and warranties, and you must notify Majestic Residences immediately in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading. Your indemnification obligations under Section 16(D) of this Agreement pertain to your warranties, representations, and obligations under this Section. It is your responsibility to ascertain what actions you must take to comply with the referenced laws.

9. MARKETING.

A. BY YOU.

You agree that your advertising, promotion and marketing will be completely clear, factual and not misleading and conform to the highest standards of ethical advertising and

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marketing and the advertising and marketing policies that we prescribe from time to time. Before you use them, you must send us for approval samples of all advertising, promotional and marketing materials which we have not prepared or previously approved during the last twelve (12) months. If we do not disapprove the materials within five (5) days of our receipt of them, they shall be deemed approved. You may not use any advertising, promotional or marketing materials that we have disapproved.

B. MARKETING FEE.

We may in the future establish a Brand Development Fund (the "**Brand Development Fund**") to pay for advertising, marketing, marketing materials, public relations programs, research and development and such other Franchise System development programs and activities that we deem appropriate from time to time. You agree to contribute to the Brand Development Fund the amounts that we periodically prescribe, not to exceed \$100 per month, payable in the same manner as the Royalty (or in such other manner as we periodically prescribe). Should you choose, you may pay this fee annually in a lump sum of \$1200. We will advise you in writing 60 days in advance of the commencement of this required contribution to the Brand Development Fund. We will deposit all fines paid by you and other franchisees for non-compliance with our System Standards into the Brand Development Fund.

We will designate, direct and have complete control over all advertising and marketing programs (including the creative concepts, materials, endorsements and media used for the programs as well as the geographic, market and media placement and allocation of the programs) and all other marketing activities. The Brand Development Fund may pay for: (i) preparing and producing video, audio and written materials and electronic media; (ii) administering regional and multi-regional marketing and advertising programs, including, without limitation, marketing contests, purchasing trade journal, direct mail, radio and other media advertising and using advertising, promotion and marketing agencies and other advisors to provide assistance; (iii) supporting public relations, market research and other advertising, brand promotion and marketing activities; (iv) development and improvements to our Website (as defined herein); (v) research, development and promotion for new services that may be offered at or for Majestic Residences Businesses; and (vi) research, development and promotion to improve our System Standards, client loyalty, Business staffing and our Franchise System. The Brand Development Fund will periodically give you samples of advertising, marketing and promotional formats and materials at no cost and will sell you multiple copies of these materials at its direct cost of producing them, plus any related shipping, handling and storage charges.

We will account for the Brand Development Fund separately from our other funds and not use the Brand Development Fund for any of our general operating expenses, except to compensate us for the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering the Brand Development Fund and its marketing activities, including, without limitation, conducting market research, preparing advertising, promotion and marketing materials and collecting and accounting for Brand Development. The Brand Development Fund will not be our asset. The Brand Development Fund is not a trust, and we do not owe you fiduciary obligations

Initial: _____

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because of our maintaining, directing or administering the Brand Development Fund or any other reason. The Brand Development Fund may spend in any fiscal year more or less than the total Brand Development in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Brand Development to pay costs before using the Brand Development Fund's other assets. We will prepare an annual, unaudited statement of Brand Development Fund collections and expenses and give you the statement upon written request. We may incorporate the Brand Development Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this Subsection.

We intend the Brand Development Fund to maximize recognition of the Marks and patronage of Majestic Residences Businesses. Although we will try to use the Brand Development Fund, in part, to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Majestic Residences Businesses, we need not ensure that Brand Development Fund expenditures in or affecting any geographic area are proportionate or equivalent to the Brand Development by Majestic Residences Businesses operating in that geographic area or that any Majestic Residences Business benefits directly or in proportion to its Brand Development Fund contribution from the development or placement of advertising and marketing materials. We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Brand Development at the Brand Development Fund's expense. We also may forgive, waive, settle and compromise all claims by or against the Brand Development Fund. Except as expressly provided in this Subsection, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing or administering the Brand Development Fund.

We may at any time defer or reduce the Brand Development of a Majestic Residences Business franchisee (and can later reinstate the Brand Development at any time) and, upon thirty (30) days' prior written notice to you, reduce or suspend Brand Development and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Development Fund. If we terminate the Brand Development Fund, we will distribute all unspent monies to our franchisees, and to us and our affiliates, in proportion to their, and our, respective contributions to Brand Development during the preceding twelve (12) month period.

C. WEBSITES AND INTERACTIVE MEDIA.

You specifically acknowledge and agree that any Website (as defined below) shall be deemed "advertising" under this Agreement, and will be subject to (among other things) our approval under Section 9.C. As used in this Agreement, the term "**Website**" means an interactive electronic document, a mobile media or a social media tool or page or Internet presence, contained in or utilizing a network of computers linked by communications, software, including the Internet, World Wide Web and any similar successor technology, including texting, social media promotions, postings or sites, such as Facebook, Twitter, Google, and including any other electronic, mobile or digital device, method or system enabling the transmission of information.

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In connection with any Website that refers to your Business, Majestic Residences Businesses, the services offered by Majestic Residences Businesses, or the Marks, you agree to the following:

(1) You shall not establish a separate Website without our prior written consent. We shall have the right, but not the obligation, to designate one or more web page(s) to describe you and/or your Business, such web page(s) to be located within our Website Ownership shall be retained by us.

(2) If we approve, in writing, a separate Website for you, then each of the following provisions shall apply:

(a) You shall not establish or use the Website without our prior written approval.

(b) Before establishing the Website, you shall submit to us, for our prior written approval, a sample of the proposed Website domain name, format, visible content (including, but not limited to, proposed screen shots), and non-visible content (including, but not limited to, meta tags) in the form and manner we may reasonably require, and you shall not use or modify such Website without our prior written approval as to such proposed use or modification.

(c) In addition to any other applicable requirements, you shall comply with our standards and specifications for Websites as we prescribe from time to time in the Manual or otherwise in writing.

(d) If we require, you shall establish such hyperlinks to our Website and others as we may request in writing.

(e) We may revoke our approval at any time, in writing, and require that you discontinue use of a separate Website.

(f) You shall transfer all existing account information relating to residents of your Home(s) and grant us access to your Websites utilized in the Business.

(3) We shall also retain the right, but not obligation, to create or subscribe to digital location marketing tools on behalf of your home. If you are converting your existing home to a Majestic Residences Franchise, you agree to assign any digital location marketing tools and accounts to us to manage as a Majestic Residences location.

10. RECORDS, REPORTS AND FINANCIAL STATEMENTS.

You agree to establish and maintain at your own expense a bookkeeping, accounting and recordkeeping system conforming to the requirements and formats we prescribe from time to time, including by completing our standard Chart of Accounts in the manner we specify. We may require you to use a Computer System to maintain certain income and expense

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data and other information, in such formats as we periodically prescribe, and to transmit that data and information to us on a schedule we periodically prescribe. You agree to give us in the manner and format that we periodically prescribe:

- (a) on or before the Payment Day, a report on your Gross Revenues during the previous month;
- (b) within fifteen (15) days after the end of each month, the operating statements, financial statements, statistical reports and other information we request regarding you and your Business covering that month;
- (c) by February 28th of each year, the operating statements, financial statements, statistical reports and other information we request regarding you and your Business for the previous calendar year; and
- (d) within ten (10) days after our request, exact copies of federal and state income and other tax returns and any other forms, records, books and other information we periodically require relating to your Business or the Franchise

You agree to verify and sign each report and financial statement in the manner we prescribe. We may disclose data derived from these reports, although we will not (without your consent) disclose your identity in connection with that data in any materials that we circulate publicly. If you ever receive formal notice from us of your failure to comply with your reporting or payment obligations under this Agreement, we may require you to have audited financial statements prepared annually during the remainder of the term of this Agreement.

11. INSPECTIONS AND AUDITS.

A. OUR RIGHT TO INSPECT YOUR BUSINESS.

To determine whether you and your staff are complying with this Agreement and all System Standards, we and our designated agents and representatives may at all times and without prior notice to you:

- (1) inspect your Home;
- (2) observe, photograph, and videotape your Business' operation for consecutive or intermittent periods we deem necessary;
- (3) interview your personnel and residents of the Home or their families; and
- (4) inspect and copy any books, records and documents relating to your operation.

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You agree to cooperate with us fully. If we exercise any of these rights, we will use our best efforts not to interfere unreasonably with your operation. You agree to present to your clients, the evaluation forms that we periodically prescribe and to participate and/or request your clients to participate in any surveys performed by or for us.

B. OUR RIGHT TO AUDIT.

We may at any time during your business hours, and without prior notice to you, examine your business, bookkeeping and accounting records, sales and income tax records and returns, and other records. You agree to cooperate fully with our representatives and independent accountants in any inspection or audit. If any inspection or audit discloses an understatement of your Gross Revenues, you must pay us, within seven (7) days after receiving the inspection or audit report, the Royalty and the Brand Development contributions due on the amount of the understatement, plus interest (in the amount described in Section 3.D above) from the date originally due until the date of payment. Further, if an inspection or audit is necessary due to your failure to furnish reports, supporting records or other information as required, or to furnish these items on a timely basis, or if our examination reveals a Royalty or Brand Development contribution understatement exceeding two percent (2%) of the amount that you actually reported to us for the period examined, you agree to reimburse us for the cost of our examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

12. TRANSFER.

A. DELEGATION BY US.

You acknowledge that we may delegate some or all of our obligations under this Agreement relating to sales, training, site assistance, and supervisory services to a third party. You agree in advance to any such delegation and assignment by us of any portion or all of our obligations and rights under this Agreement. You also acknowledge that you are not a third party beneficiary of any agreement between us and any third party designee.

B. TRANSFER BY US.

We may change our ownership or form and/or assign this Agreement and any other agreement without restriction and you hereby agree not to undertake any action to postpone, delay or cancel any proposed transfer. This Agreement and any other agreement will inure to the benefit of any transferee or other legal successor to our interest in it.

C. TRANSFER BY YOU.

You understand and acknowledge that the rights and duties this Agreement creates are personal to you and that we have granted you the Franchise in reliance upon our

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Initial: _____

perceptions of your character, skill, aptitude, attitude, English language proficiency, business ability and financial capacity. Accordingly, neither: (i) this Agreement (or any interest in this Agreement); (ii) your or any Entity's interest in the Franchise, your Business or its assets (or any right to receive all or a portion of your profits or losses or any capital appreciation relating to your Business); nor (iii) any ownership interest in any Entity holding the Franchise may be transferred without our prior written approval. A transfer of your (or the Entity's) interest in the Franchise, your Business or its assets may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect. In this Agreement, the term "**transfer**" includes any voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition and includes the following events:

(1) transfer of record or beneficial ownership of capital stock (if the Entity holding the Franchise is a corporation), a partnership or membership interest (if the Entity holding the Franchise is a partnership or limited liability company), or any other ownership interest or right to receive all or a portion of your profits or losses;

(2) a merger, consolidation or exchange of shares or other ownership interests, or issuance of additional ownership interests or securities representing or potentially representing shares or other ownership interests, or a redemption of shares or other ownership interests;

(3) any sale or exchange of voting interests or securities convertible to voting interests, or an agreement granting the right to exercise or control the exercise of the voting rights of any owner or to control your operations or affairs;

(4) transfer of an interest in you, this Agreement, your Business or its assets (or any right to receive all or a portion of your profits or losses or any capital appreciation relating to your Business) in a divorce, insolvency or entity dissolution proceeding, or otherwise by operation of law;

(5) if you or an Owner of the Entity holding the Franchise dies, transfer of an interest in the Entity, this Agreement, or your Business or its assets (or any right to receive all or a portion of your profits or losses or any capital appreciation relating to your Business) by will, declaration of or transfer in trust, or under the laws of intestate succession; or

(6) pledge of this Agreement (to someone other than us) or of an ownership interest in the Entity holding the Franchise as security, foreclosure upon your Business, or your transfer, surrender or loss of the possession, control or management of your Business.

D. CONDITIONS FOR APPROVAL OF TRANSFER.

If you and your Owner(s) are in full compliance with this Agreement, we shall not unreasonably withhold our approval of a sale, provided that the proposed buyer(s) are, in our

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opinion, individuals of good moral character who have sufficient business experience, English language proficiency, aptitude and financial resources to own and operate the Majestic Residences and otherwise meet our then-applicable standards for franchisees, and further provided that the following conditions are met prior to, or concurrently with, the effective date of the sale:

(1) all your obligations incurred in connection with this Agreement have been discharged or assumed by the buyer(s);

(2) you shall have paid such Royalty fees, Brand Development Fund contributions, and amounts owed for purchases by you from us which are then due and unpaid;

(3) the buyer(s) shall have completed the training program required of new franchisees;

(4) the buyer(s) shall have proven to us its or their financial viability to undertake and perform the requirements of this Agreement;

(5) if the Home is leased, the lessor shall have consented to your assignment of the lease to the buyer(s) or, the buyer(s) shall have purchased the existing Home;

(6) the buyer(s) and its or their owner shall have executed an assignment agreement and personal guaranty and agreed to be bound by the existing Agreement and such ancillary agreements that accompanied the grant of the Franchise for the transferred Majestic Residences (or execute the then-current franchise agreement and its ancillary agreements at our option);

(7) you or the buyer(s) shall have paid a transfer fee to us in the amount equal to ten thousand dollars (\$10,000) to defray expenses incurred by us in connection with the transfer, including, without limitation, legal and accounting fees, credit and other investigation charges and evaluation of buyer(s) and the terms of the transfer;

(8) the buyer(s) shall have replaced or refurbished, furniture and furnishings, and otherwise modified the methods and operations of the Majestic Residences in compliance with specifications and standards then applicable to new franchises for Majestic Residences Businesses;

(9) you and the Owner(s) shall have executed a general release, in a form satisfactory to us, of any and all claims against us and our members, managers, officers, directors, employees and agents;

(10) we shall have approved the material terms and conditions of such transfer, including, without limitation, that the price and terms of payment are not so burdensome

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as to adversely affect the future operations of the Majestic Residences by the buyer(s) in compliance with the assigned Agreement and ancillary agreements; and

(11) you and the Owner(s) shall have entered into an agreement with us to subordinate the buyer(s)' obligations to you or your Owner(s) to those obligations owed to us.

If the proposed transfer is to or among immediate family members (defined as parent, spouse or child), or to an entity described in Subsection (E) below, then Subsection (7) above will not apply, although you must reimburse us for the costs we incur in the transfer. We may review all information regarding your Business that you give the transferee and give the transferee copies of any reports that you have given us or we have made regarding your Business.

E. ASSIGNMENT TO ENTITY PRINCIPALLY CONTROLLED BY YOU.

The Franchise and its assets and liabilities may be assigned to a newly-formed corporation or other legal entity that conducts no business other than the operation of the Majestic Residences and in which you and any of your principals own and control in the aggregate not less than one hundred percent (100%) of the equity and voting power of all outstanding capital stock or ownership interest, provided as follows:

(1) that the proposed transferee complies with the provisions of this Agreement;

(2) that you are empowered to act for said corporation or other legal entity;

(3) that you shall submit to us documentation that we may reasonably request to effectuate the transfer, including the approving and acknowledging execution of this Agreement;

(4) that you shall submit to us a true and complete list of the shareholders, members or partners, showing the number of shares or interests owned, and a list of the officers and directors if a corporation, or managers if a limited liability company, or managing partners if a partnership. We shall be promptly notified of any changes in said lists;

(5) that all certificates of shares or interests issued by transferee at any time shall have endorsed thereon an appropriate legend to conform with state law, referring to this Agreement by date and name of parties hereto, and stating "Transfer of This Certificate is Limited by the Terms and Condition of a Franchise Agreement dated _____;"

(6) that a copy of this Agreement shall be given to every shareholder, member or partner of the legal entity, all of whom shall execute an Assignment Agreement in the form prepared by us to effect this assignment and who, along with their respective spouses, shall also execute the Guaranty and Assumption of Obligations;

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(7) that a copy of the organizational documents and any corporate resolutions, and a Certificate of Good Standing, will be furnished to us at our reasonable request, and prompt notification in writing of any amendments thereto will be provided to us; and

(8) That the number of shares or interests issued or outstanding in the transferee will not be increased or decreased without prior written notice to us and only in compliance with Section 12.C and 12.D above. In addition, new shareholders, members or partners must agree to be bound by this entire Agreement. Shareholders, members or partners may make a separate agreement among them providing for purchase by the survivors among them of the shares of any shareholders or interests of any members or partners upon death, or other agreements affecting ownership or voting rights, so long as voting control and a majority representation of the board of directors or members or partners remains with those individuals who initially applied for and were approved as franchisees under this Agreement. Shareholders, members or partners must notify us in writing of any such agreement which affects control of the transferee.

F. DEATH OR DISABILITY.

(1) Transfer Upon Principal Owner's Death or Disability.

Upon the death or disability of the Principal Owner, the Principal Owner's executor, administrator, conservator, guardian or other personal representative must transfer the Principal Owner's interest in this Agreement, the Lease, the Business and its assets, or the Principal Owner's ownership interest in the Entity holding the Franchise, to a third party or to another existing Owner. That transfer (including, without limitation, transfer by bequest or inheritance) must occur, subject to our rights under Subsection (2) below, within a reasonable time, not to exceed nine (9) months from the date of death or disability, and is subject to all of the terms and conditions in Section 12.D.(1) through (6) as well as to any other requirements we have for Principal Owners. A failure to transfer such interest within this time period is a breach of this Agreement. The term "**disability**" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent the Principal Owner from supervising the management and operation of your Business for ninety (90) or more consecutive days.

(2) Operation Upon Your Death or Disability.

If, upon the death or disability of the Principal Owner, you do not have an Operations Manager to manage the day-to-day operations of your Business, then the Principal Owner's executor, administrator, conservator, guardian or other personal representative must within a reasonable time, not to exceed thirty (30) days from the date of death or disability, appoint an Operations Manager we approve to operate your Business. Any new Operations Manager that you appoint must, at your expense or at the expense of the Principal Owner's estate, satisfactorily complete the training that we designate within the time period we specify.

G. EFFECT OF CONSENT TO TRANSFER.

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Our consent to any transfer is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of the transferee's prospects of success, or a waiver of any claims we have against you or of our right to demand the transferee's full compliance with this Agreement's terms and conditions.

13. **EXPIRATION OF THIS AGREEMENT.**

A. **YOUR RIGHT TO ACQUIRE A SUCCESSOR FRANCHISE.**

Upon expiration of the Initial Term, if you (and each of your Owners) have substantially complied with this Agreement during the term of this Agreement, are in compliance with this Agreement at the time of expiration and:

(a) you either (i) maintain possession of the Home and agree to remodel and/or expand your Business Home, add or replace improvements, furniture and furnishings, equipment and signs, and otherwise modify your Home as we require to bring it into compliance with specifications and standards then applicable for new Majestic Residences Businesses or (ii) if you are unable to maintain possession of the Home, or if in our judgment your Business should be relocated, you secure a substitute site we approve, develop the substitute site in compliance with specifications and standards then applicable for new Majestic Residences Businesses, and continue to operate the Home at the original site until operations are transferred to the substitute site;

(b) you pay us a successor fee equal to \$5,000 (the "**Successor Fee**") and execute our then-current form of Successor Agreement (the Successor Agreement shall supersede in all respects this Agreement, and may differ from the terms of this Agreement, including, without limitation, the requirement of a higher percentage royalty fee and/or advertising contributions); and

(c) we have not indicated to you, prior to the date that you give us notice, our intent to withdraw from the market serviced by you under this Agreement and cease the offer and sale of Majestic Residences Businesses in such market;

then, subject to the terms and conditions in this Section, you will have the right to acquire another Franchise (the "**Successor Franchise**") to operate the Business on the terms and conditions of the Agreement we are then using in granting Successor Franchises, any and all of the terms of which may differ materially from those contained in this Agreement (including fees and the boundaries of your Territory). If you are not granted a Successor Franchise because we have indicated our withdrawal from your market under Subsection (c) above, you shall retain the right to operate your Business as an independent, non-franchised business provided that you agree to comply with Sections 15.A, 15.B, 15.C and 15.D and our purchase option shall not apply.

B. **GRANT OF A SUCCESSOR FRANCHISE.**

Initial: _____

Initial: _____

You agree to give us notice of your election to acquire a Successor Franchise at least twelve (12) months but not more than fifteen (15) months prior to the expiration of the Initial Term. We may require you to provide certain financial information relating to your Business' operation along with (and after delivering) your notice. We will advise you within ninety (90) days after we receive your notice of any deficiencies which must be corrected by you before we will grant you a Successor Franchise or the reason why we will not grant you a Successor Franchise.

C. AGREEMENTS/RELEASES.

If you satisfy all of the other conditions to the grant of a Successor Franchise, you and your Owners must, at least six (6) months prior to the expiration of the Initial Term, execute and return to us the form of franchise agreement and any ancillary agreements we are then using in connection with the grant of Successor Franchises (modified as permitted in Section 13.A above). As a further condition to the grant of a Successor Franchise, you and each Owner must also execute and deliver to us (together with delivery of the signed franchise agreement) general releases, in form satisfactory to us, of any and all claims against us, our affiliates, and our and our affiliates' respective subsidiaries, shareholders, officers, directors, employees, agents, successors, and assigns. Subject to the terms and conditions contained herein, you shall be entitled to a total of three (3) Successor Franchise terms, each which shall have a term of five (5) years.

14. TERMINATION OF AGREEMENT.

Termination By You. You may terminate this Agreement if we materially breach this Agreement and fail to cure the breach within sixty (60) days after you send us a written notice specifying the nature of the breach. If you terminate this Agreement, you must still comply with your post-termination obligations described in Section 15 and all other obligations that survive the expiration or termination of this Agreement.

Termination by Us.

We may terminate this Agreement, effective upon delivery of written notice of termination to you, if:

(a) you fail to comply with any mandatory System Standard and do not correct the failure within ten (10) days of receipt of written notice, if the failure, at our discretion, is subject to cure; provided, however, you acknowledge and agree that your obligations as set forth in our Manual and state and local law and ordinance is deemed a mandatory System Standard and the failure to comply with any such obligations therein is not curable and is subject to immediate termination.

(b) you have made or make a material misrepresentation or omission in acquiring the Franchise or operating your Business;

(c) you knowingly breach Section 8.C of the Agreement;

Initial: _____

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- (d) your Principal Owner (or a substitute Principal Owner that you appoint) does not satisfactorily complete initial training;
- (e) you abandon or fail actively to operate your Business for three (3) or more consecutive calendar days, unless you close the Business for a purpose we approve;
- (f) you surrender or transfer control of the operation of your Business without our prior written consent;
- (g) you are convicted by a trial court of, or plead no contest to, a felony;
- (h) you fail to maintain the insurance we require from time to time and do not cure such failure within ten (10) days of the expiration of your insurance policy(ies) or receipt of a notice of default, as applicable;
- (i) you interfere with our right to inspect the Business or its records or observe its operation, as provided in Section 11;
- (j) you engage in any dishonest, unethical or illegal conduct or any other conduct which, in our opinion, adversely affects the reputation of your Business, the reputation of other Majestic Residences Businesses or the goodwill associated with the Marks;
- (k) you make an unauthorized transfer in breach of Section 12;
- (l) the lease for the Site is terminated for any reason or you otherwise lose possession of the Site and you do not find another site approved by us and sign a lease which meets our standards within fifteen (15) days of such termination;
- (m) any license or permit necessary for the proper operation of your Business is suspended, revoked or not renewed;
- (n) you knowingly make any unauthorized use or disclosure of any part of the Manual or any other Confidential Information;
- (o) you fail to meet the minimum performance requirements in Section 3(D).
- (p) you knowingly make any unauthorized use of our Marks or Copyrights;
- (q) you violate any health, safety, or sanitation law, ordinance or regulation, or operate your Business in an unsafe manner, and do not begin to cure the

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violation immediately, and correct the violation within seventy two (72) hours, after you receive notice;

(r) you fail to pay when due any federal, state or local income, service, sales or other taxes due with respect to the operation of your Business, or repeatedly fail to make or delay making payments to your suppliers or lenders, unless you are in good faith contesting your liability for these taxes or payments;

(s) you understate your Gross Revenues three (3) times or more during this Agreement's term or by more than five percent (5%) on any one occasion;

(t) you (a) fail on three (3) or more separate occasions within any twenty four (24) consecutive month period to submit when due reports or other data, information or supporting records, pay when due any amounts due to us (or our affiliates), or otherwise comply with this Agreement, whether or not you correct any of these failures after we deliver written notice to you; or (b) fail on two (2) or more separate occasions within any twelve (12) consecutive month period to comply with the same obligation under this Agreement, whether or not you correct either of the failures after we deliver written notice to you;

(u) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee or liquidator of all or the substantial part of your property; the Business or its assets are attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee or liquidator of you or the Business is not vacated within thirty (30) days following the order's entry;

(v) you fail to pay us (or our affiliates) any amounts due and do not correct the failure within ten (10) days after we deliver written notice of that failure to you; or

(w) you default under a promissory note or loan agreement with respect to any material financing arrangement and fail to cure the default before the expiration of the cure period, if any;

(x) you fail to comply with any other provision of this Agreement and do not correct the failure within thirty (30) days after we deliver written notice of the failure to you.

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15. OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT.

A. PAYMENT OF AMOUNTS OWED.

You agree to pay within fifteen (15) days after this Agreement expires or is terminated, or on any later date that we determine, the Royalties, Brand Development Fund contributions, interest and all other amounts owed to us, our affiliates or our or their franchisees which then are unpaid.

B. DE-IDENTIFICATION.

When this Agreement expires or is terminated for any reason:

(1) you shall not directly or indirectly at any time thereafter or in any manner (except in connection with other Majestic Residences Businesses you own and operate): (a) identify yourself or any business as a current or former Majestic Residences or as one of our franchisees; (b) use any Copyright, Mark, any colorable imitation of a Mark, any trademark, service mark or commercial symbol that is confusingly similar to any Mark, or other indicia of a Majestic Residences in any manner or for any purpose; or (c) use for any purpose any trade name, trademark, service mark or other commercial symbol that indicates or suggests a connection or association with us;

(2) you agree to take the action required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(3) you agree to deliver to us within thirty (30) days all advertising, marketing and promotional materials, forms, and other materials containing any Mark or Copyright or otherwise identifying or relating to a Majestic Residences that we request and allow us, without liability to you or third parties, to remove these items from your Home;

(4) if applicable, notify all search engines of the termination or expiration of your right to use all domain names, Websites and other search engines associated directly or indirectly with your Business and authorize those search engines to transfer to us or our designee all rights to the domain names, Websites and search engines relating to the Marks or your Business. We have the absolute right and interest in and to all domain names, Websites and search engines associated with the Marks or your Business, and you hereby authorize us to direct all applicable parties to transfer your domain names, Websites and search engines to us or our designee if this Agreement expires or is terminated for any reason whatsoever. All parties may accept this Agreement as conclusive of our right to such domain names, Websites and search engines and this Agreement will constitute the authority from you for all parties to transfer all such domain names, Websites and search engines to us; alternatively, in our sole discretion, we may choose to

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close any of your previously utilized Websites or domain names associated with the Business; and

(5) you agree to give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of your compliance with these obligations.

C. CONFIDENTIAL INFORMATION AND CLIENT INFORMATION.

You agree that, when this Agreement expires or is terminated, you will immediately cease using any of our Confidential Information and other intellectual property in any business or otherwise, and return to us all copies of the Manual and any other confidential materials that we have loaned you or that you have in your possession or control. Any violation of this provision shall subject you to damages as specified in Section 15D for the reasons specified in that Section. These damages shall be \$25,000 per violation.

D. EARLY TERMINATION DAMAGES.

You agree to pay within ten (10) days after this Agreement expires or is terminated by you or us, all amounts owed to us or our affiliates under this Agreement or any related agreement which then are unpaid. Additionally, should this Agreement be terminated, or any Successor Agreement prior to its expiration for any reason or no reason, then in addition to whatever amounts may be due and owing to us or an affiliate, you agree to pay Termination Damages as defined below:

"Termination Damages" at any time during the first 12 months of operation the sum of \$80,000 in one lump sum; during months 12-24 the sum of \$100,000 in one lump sum; during months 25-46 the sum of \$80,000 in one lump sum and during months 47 to the end of the term, the sum of \$50,000 in one lump sum.

You agree that the Termination Damages calculated under this section represent the best estimate of our damages for lost future Royalties and Brand Development Contributions and, as applicable, damages arising from any termination of this Agreement before the Term expires. These Termination Damages are not a penalty. Your payment of the Termination Damages is compensation to us only for lost future Royalties and Brand Development Contributions and, is in addition to, and not in lieu of, your obligation to pay other amounts owed to us and our affiliates and otherwise to comply with the post-termination obligations under this Agreement, nor does it relieve or replace any other obligations under this Agreement that arise from the Agreement's termination.

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16. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.**

A. **INDEPENDENT BUSINESS OWNER.**

You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us. You have no authority, express or implied, to act as agent of us or any of our affiliates for any purpose. You are, and shall remain, an independent business owner responsible for all obligations and liabilities of your Business and for all claims or demands based on injury, illness or death of any person or persons, directly or indirectly, resulting from the operation of your Business. Further, we and you are not, and do not intend to be, partners, associates, or joint employers in any way, and we shall not be construed to be jointly liable for any of your acts or omissions under any circumstances. We have no relationship with your employees and you have no relationship with our employees. You agree to identify yourself conspicuously in all dealings with clients, suppliers, public officials, your personnel and others as the operator of a Majestic Residences under a franchise we have granted and to place notices of independent ownership on the forms, business cards, stationery, advertising and other materials we require from time to time.

B. **NO LIABILITY FOR ACTS OF OTHER PARTY.**

We and you agree not to make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchisee. We will not be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Business or your other activities conducted under this Agreement.

C. **TAXES.**

We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property or other taxes, whether levied upon you or your Business, due to the business you conduct (except any taxes we are required by law to collect from you for purchases from us and our income taxes). You are responsible for paying these taxes.

D. **INDEMNIFICATION.**

To the fullest extent permitted by law, you agree to indemnify, defend and hold harmless us, our affiliates, and our and their respective shareholders, directors, officers, employees, agents, representatives, successors and assigns (the "**Indemnified Parties**") from and against, and to reimburse any one or more of the Indemnified Parties for, any and all claims, obligations and damages directly or indirectly arising out of: (1) the operation of your Business, (2) the business you conduct under this Agreement, (3) your breach of this Agreement, or (4) any noncompliance or alleged noncompliance with any law, ordinance, rule or regulation concerning the construction, design or operation of your Business, including, without limitation, the Americans with Disabilities Act and other laws regarding public accommodations for persons with

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disabilities. For purposes of this indemnification, "**claims**" include all obligations, damages (actual, consequential, punitive or otherwise) and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses and other expenses of mediation or litigation or alternative dispute resolution, regardless of whether mediation or litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend and control the defense of any claim against it which is subject to this indemnification at your expense, and you may not settle any claim or take any other remedial, corrective or other actions relating to any claim without our consent. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from an insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you.

17. CONSTRUCTION & ENFORCEMENT.

A. GOVERNING LAW.

All matters relating to any disputes between the parties, or arising from the relationship between us and you, with the exception of mediation of such disputes, will be governed by applicable federal law (e.g., the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.)), or the laws of the State of Arizona, without regard to its conflict of laws rules.

B. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.

Each section, subsection, term and provision of this Agreement, and any portion thereof, shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of this Agreement. If a court concludes that any promise, covenant or System Standard in this Agreement is unreasonable and unenforceable: (i) the court may modify such promise, covenant or System Standard to the minimum extent necessary to make such promise, covenant or System Standard enforceable; or (ii) we may unilaterally modify such promise, covenant or System Standard to the minimum extent necessary to make such promise, covenant or System Standard enforceable.

C. WAIVER OF OBLIGATIONS.

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver that we grant shall be without prejudice to any other rights we may have and may be revoked upon written notice to you. Neither we nor you shall be deemed to have waived or impaired any right, power or option reserved by this Agreement (including the

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right to demand exact compliance with every term, condition and covenant in this Agreement or to declare any breach of this Agreement to be a default and to terminate the Franchise before the expiration of its term) by virtue of: (i) any custom or practice of the parties at variance with the terms of this Agreement; (ii) any failure, refusal or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement, including any mandatory System Standard or operating procedure; (iii) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, relating to other Majestic Residences franchisees; or (iv) the acceptance by us of any payments due from you after breach of this Agreement.

D. COSTS AND ATTORNEYS' FEES.

If we incur expenses due to your failure to comply with any provision of this Agreement (including our System Standards), you agree, whether or not we initiate a legal proceeding, to reimburse us for any costs and expenses which we incur, including, without limitation, reasonable accounting, attorneys', arbitrators' and related fees.

E. YOU MAY NOT WITHHOLD PAYMENTS DUE TO US.

You agree that you will not withhold payment of any amounts owed to us on the grounds of our alleged nonperformance of any of our obligations under this Agreement.

F. RIGHTS OF PARTIES ARE CUMULATIVE.

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy under this Agreement which we or you are entitled by law to enforce.

G. DISPUTE RESOLUTION.

The parties agree to submit any claim, dispute or disagreement, including any matter pertaining to the validity, enforcement or interpretation of this Agreement (including compliance with our System Standards) or issues relating to the offer and sale of the Franchise or the relationship between the parties (a "**Dispute**") to mediation before a mutually-agreed upon mediator. The mediation will take place in Maricopa County, Arizona, or another location chosen by Majestic Residences Franchise Systems, LLC. The mediation should be completed within 30 days of the dispute being filed, is limited to eight hours and the parties must split the costs associated with the mediation.

If the Dispute is not resolved by mediation within 30 days after either party makes a demand for mediation, the parties agree and hereby submit to the personal jurisdiction of the State or Federal court in Arizona for litigation of all unresolved claims.

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H. CONSENT TO JURISDICTION.

Except as otherwise provided in this Section, you and your Owners agree that all mediation and litigation proceedings involving any Dispute must be commenced in the county in which our principal place of business is located at the time the Dispute arises (currently, Maricopa County, Arizona) and you (and each Owner) irrevocably submit to the jurisdiction of the state and federal courts of general jurisdiction in such county. Notwithstanding the foregoing, you and your Owners agree that: (i) we may enforce this Agreement and any mediation orders and awards in the courts of the state or states in which you are domiciled or your Business is located; and (ii) if the laws of the state in which your Business is located prohibit us from restricting jurisdiction or venue exclusively to a forum outside of that state with respect to any claim arising under such state's franchise laws, then either party may bring such claim either in the county in which our principal place of business is located or the state in which your Business is located.

I. WAIVER OF RIGHTS AND LIMITATIONS ON CLAIMS.

UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE (OTHER THAN FOR PAYMENT OF MONIES OWED OR A DISPUTE INVOLVING YOUR UNAUTHORIZED USE OF OUR INTELLECTUAL PROPERTY) MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR MEDIATION (OR IF PERMITTED, LITIGATION) WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED. WE AND YOU IRREVOCABLY WAIVE: (i) TRIAL BY JURY; (ii) THE RIGHT TO MEDIATE OR LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES; AND (iii) THE RIGHT TO CLAIM OR RECOVER ANY PUNITIVE OR EXEMPLARY DAMAGES. EACH PARTY SHALL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

J. INJUNCTIVE RELIEF.

Nothing in this Agreement bars our right to obtain preliminary orders of specific performance of the provisions of this Agreement and temporary or preliminary injunctive relief against threatened conduct that will cause us, the Marks, or the Franchise System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions (subject to our obligation to mediate the underlying claims if required under Section 17.G above). You agree that we may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000.

K. BINDING EFFECT.

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This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns and successors in interest. Subject to our rights to unilaterally modify the Manual under Section 4.D, the System Standards under Section 8.H and under Section 17.B, this Agreement may not be modified except by a written agreement signed by both you and us.

L. CONSTRUCTION.

THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT, EXCEPT AS PERMITTED BY SECTION 4.D, SECTION 8.H AND SECTION 17.B, BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. Any e-mail correspondence or other form of informal electronic communication shall not be deemed to modify this Agreement unless such communication is signed by both parties and specifically states that it is intended to modify this Agreement. The preambles and exhibits are a part of this Agreement which, together with the Manual, the Lease and any riders or addenda signed at the same time as this Agreement, constitutes our and your entire agreement and supersedes all prior and contemporaneous oral or written agreements and understandings between us and you. There are no other oral or written understandings or agreements between us and you, relating to the subject matter of this Agreement. Except as provided in Section 16.D, nothing in this Agreement is intended nor deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement. Nothing in this Agreement or in any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated or completed actions that require our approval.

The headings of the sections and paragraphs are for convenience only and do not define, limit or construe the contents of these sections or paragraphs.

References in this Agreement to "**we**" "**us**" and "**our**," with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal in connection with your Business. The term "**affiliate**" means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling us. "**Control**" means the power to direct or cause the direction of management and policies.

If two or more persons are at any time the Owners of the Franchise and your Business, whether as partners or joint venturers, all of those persons must sign this Agreement and their obligations and liabilities to us will be joint and several. References to "**you**" mean each of those persons. If you are an Entity, "**you**" includes that Entity and each of the Entity's Owners. "**Owner**" means you (if you consist of one or more individuals) and also means any individual holding a direct or indirect ownership interest (whether of record, beneficially or otherwise) or voting rights in any Entity that owns the Franchise or any interest in the Franchise. "**Person**" means

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any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative or other legal or functional entity. The term "**Business**" includes all of the assets of the Majestic Residences you operate under this Agreement, including its revenue and income.

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

M. COVENANT OF GOOD FAITH.

If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may favorably or adversely affect your interests; (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (iii) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any mediation or litigation shall substitute its judgment for our judgment so exercised.

N. INTERIM TERM.

If you do not execute a Successor Agreement after the expiration of the Initial Term, and you continue to accept the benefits of this Agreement after the expiration of the Initial Term, then at our option, this Agreement may be treated either as: (i) expired as of the date of the expiration with you then operating without a franchise license to do so and thus in violation of our rights; or (ii) continued on a month-to-month basis (the "**Interim Term**") until either party provides the other party with written notice of such party's intention to terminate the Interim Term. In the latter case, all of your obligations shall remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on you upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Term. Alternatively, at our sole option and discretion, we can impose an additional \$500 monthly royalty fee in addition to the average of the last 6 months royalties paid prior to the expiration of the Term until the parties resolve the issue resulting from the failure to renew or terminate their relationship at expiration.

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O. FORCE MAJEURE

(a) Subject to sub-clause (b) below, neither party to this Agreement shall be in breach of this Agreement or responsible for damages caused by delay or failure to perform in full or in part its obligations under this Agreement, provided that there is due diligence in attempted performance under the circumstances and that such delay or failure is due to one of the following events of *force majeure*: fire, earthquake, unusually severe weather, strikes, government sanctioned embargo, flood, act of God, war, terrorism, act (or delay in acting) of any public authority or sovereign government (including government delays in issuing required permits), civil disorder, delay or destruction caused by public carrier, curtailment of transportation facilities or any other similar circumstance substantially beyond the control of the party to be charged, and which cannot be reasonably forecast or prevented.

(b) Each party agrees to notify the other promptly upon discovery of an event of *force majeure*, as described above, which may cause a failure or delay in performance under this Agreement.

P. LIMITED LIABILITY FOR OUR RELATED PARTIES.

You agree that no past, present or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, controlling party, entity under common control, ownership or management, vendor, service provider, agent, attorney or representative of ours will have any liability for (i) any of our obligations or liabilities relating to or arising from this Agreement, (ii) any claim against us based on, in respect of, or by reason of, the relationship between you and us, or (iii) any claim against us based on your alleged unlawful act or omission.

18. NOTICES AND PAYMENTS.

All written notices, reports and payments permitted or required to be delivered by the provisions of this Agreement or the Manual will be deemed so delivered:

(1) at the time delivered via computer transmission if the sender has confirmation of a successful transmission and, in the case of the Royalty, Brand Development and other amounts due, at the time we actually debit your account (if we institute an automatic debit program for your Business);

(2) one (1) business day after transmission by telecopy, facsimile or other electronic system if the sender has confirmation of successful transmission;

(3) one (1) business day after being placed in the hands of a commercial courier service for next business day delivery; or

(4) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid;

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and must be addressed to the party to be notified at its most current principal business address of which the notifying party has notice. However, if your check for payment of Royalties, Brand Development, or other amounts due is dishonored by your bank, such payment will not be deemed to be made until your replacement check is cleared by your bank. Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least three (3) days before then) will be deemed delinquent.

19. ACKNOWLEDGMENTS.

To induce us to sign this Agreement and grant you the Franchise, you acknowledge:

(1) That you have independently investigated the Majestic Residences franchise opportunity and recognize that, like any other business, the nature of a Majestic Residences Business may, and probably will, evolve and change over time.

(2) That an investment in a Majestic Residences involves business risks.

(3) That your business abilities and efforts are vital to your success.

(4) That retaining clients for your Business will require a high level of client service and strict adherence to the Franchise System and our System Standards and that you are committed to maintaining our System Standards.

(5) That except as described in our Franchise Disclosure Document you have not received or relied upon, and we expressly disclaim making, any representation, warranty or guaranty, express or implied, as to the revenues, profits or success of your Business or any other Majestic Residences.

(6) That any information you have acquired from other Majestic Residences Business franchisees regarding their sales, profits or cash flows is not information obtained from us, and we make no representation about that information's accuracy.

(7) That you have no knowledge of any representations made about the Majestic Residences franchise opportunity by us, our subsidiaries or affiliates or any of their respective officers, directors, shareholders or agents that are contrary to the statements made in our Franchise Disclosure Document or to the terms and conditions of this Agreement.

(8) That in all of their dealings with you, our officers, directors, employees and agents act only in a representative, and not in an individual, capacity and that business dealings between you and them as a result of this Agreement are only between you and us.

Initial: _____

Initial: _____

(9) That you have represented to us, to induce our entering into this Agreement, that all statements you have made and all materials you have given us in acquiring the Franchise are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the Franchise.

(10) That you have read this Agreement and our Franchise Disclosure Document and understand and accept that the terms and covenants in this Agreement are reasonably necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards at each Majestic Residences, and to protect and preserve the goodwill of the Marks.

Initial: _____
Initial: _____

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement effective on the date stated on the first page above.

**FRANCHISOR:
MAJESTIC RESIDENCES FRANCHISE
SYSTEMS, LLC**

a Delaware limited liability company

By: _____

Name: _____

Its: _____

***By signing below, each individual owner of a direct or indirect interest in the franchisee entity agrees to be bound by all of the terms and conditions of the Franchise Agreement.**

Name: _____

Name: _____

Name: _____

Name: _____

**FRANCHISEE:
YOU (If you are an Entity):**

a(n) _____

By: _____

Name: _____

Its: _____

Principal Business Address:

YOU (If you are not an Entity):

Name: _____

Principal Business Address:

Name: _____

Principal Business Address:

Name: _____

Principal Business Address:

Initial: _____

Initial: _____

EXHIBIT A

TO MAJESTIC RESIDENCES FRANCHISE AGREEMENT

Territory and Site of Majestic Residences. Franchisee's Site shall be located at _____. The Territory for this Site is described below by street map landmarks and compass directions and as depicted in the map contained in Attachment 1 which is attached to this Exhibit A and incorporated into this Exhibit A by reference.

EXHIBIT B
TO MAJESTIC RESIDENCES FRANCHISE AGREEMENT

ACH Authorization Form

[See Attached]

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name

Business No.

Franchisee Mailing Address (street)

Franchisee Phone No.

Franchisee Mailing Address (city, state, zip)

Contact Name, Address and Phone number (if different from above)

Franchisee Fax No.

Franchisee E-mail Address

Bank Account Information:

Bank Name

Bank Mailing Address (street, city, state, zip)

☐Checking ☐Savings

Bank Account No.

(check one)

Bank Routing No. (9 digits)

Bank Mailing Address (city, state, zip)

Bank Phone No.

Authorization: Franchisee hereby authorizes Majestic Residences Franchise Systems, LLC ("Majestic Residences") to initiate debit entries to Franchisee's account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee's account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Majestic Residences pursuant to any agreement between Majestic Residences and Franchisee as well as to cover any purchases of goods or services from Majestic Residences or any affiliate of Majestic Residences. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Majestic Residences has received written notification from Franchisee of its termination in such time and in such manner as to afford Majestic Residences and the Bank a reasonable opportunity to act on it. Franchisee shall notify Majestic Residences of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____

Date: _____

Name: _____

Its: _____

Federal Tax ID Number: _____

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.

EXHIBIT D

TO MAJESTIC RESIDENCES DISCLOSURE DOCUMENT

GUARANTY

[See Attached]

GUARANTY AND ASSUMPTION OF OBLIGATIONS

NOTE: IF YOU ARE A CORPORATION, EACH OF YOUR SHAREHOLDERS AND THEIR SPOUSES MUST SIGN THE FOLLOWING UNDERTAKING. IF YOU ARE A PARTNERSHIP, EACH OF YOUR GENERAL PARTNERS AND THEIR SPOUSES MUST SIGN THE FOLLOWING UNDERTAKING. IF YOU ARE A LIMITED LIABILITY COMPANY, EACH OF YOUR MEMBERS/MANAGERS AND THEIR SPOUSES MUST SIGN THE FOLLOWING UNDERTAKING.

The undersigned persons hereby represent to Majestic Residences Franchise Systems, LLC that they are all of the shareholders of the Franchisee or the spouses of said shareholders, or all of the general partners of the Franchisee or the spouses of said general partners, or all of the members and managers of the Franchisee or the spouses of said members and managers, as the case may be. In consideration of the grant by Majestic Residences Franchise Systems, LLC to the Franchisee as provided in the Franchise Agreement of even date hereof, each of the undersigned hereby agrees, in consideration of the benefits received and to be received by each of them, jointly and severally, and for themselves, their heirs, legal representatives and assigns that they, and each of them, to be firmly bound by all of the terms, provisions and conditions of the Franchise Agreement, and any other agreements between the Franchisee and Majestic Residences Franchise Systems, LLC and/or its affiliates, that they and each of them do hereby unconditionally guarantee the full and timely payment and performance of the Franchisee of each and every obligation of the Franchisee under the Franchise Agreement or other agreements, including without limitation, any indebtedness of the Franchisee arising under or by virtue of the Franchise Agreement and that they and each of them will not permit or cause any change in the percentage of the franchise owned, directly or indirectly, by any person without first obtaining the written consent of Majestic Residences Franchise Systems, LLC.

The undersigned agree that this Guaranty is directly enforceable against each of them without first resorting to and exhausting remedies against the Franchisee, and any indulgences, forbearances or extensions of time for performance will not in any way release the undersigned from liability hereunder. The undersigned waive any and all notices and legal and equitable defenses to which the guarantor may be entitled, except as otherwise expressly provided in the Franchise Agreement. This is an absolute and continuing guaranty and shall remain in full force and effect during the term of the Franchise Agreement.

[Signature Page Follows]

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

GUARANTOR(S)

and his/her spouse

EXHIBIT E
TO MAJESTIC RESIDENCES DISCLOSURE DOCUMENT
LIST OF FRANCHISEES

Part A (Current Franchisees)

State	City	Address	Phone	Owner Name(s)
Arizona	Scottsdale	6739 East Sweetwater Avenue Scottsdale, AZ 85254 Kevinnijjar@majesticresidences.com	(714) 272-5100	Kevin Nijjar (The Villa on Sweetwater 1, LLC.)
Arizona	Scottsdale	7515 East Sweetwater Avenue Scottsdale, AZ 85254 Kevinnijjar@majesticresidences.com	(714) 272-5100	Kevin Nijjar (Sweetwater Pines 1, LLC.)
Arizona	Scottsdale	14203 North 68th Place Scottsdale, AZ 85254 Kevinnijjar@majesticresidences.com	(714) 272-5100	Kevin Nijjar (North Scottsdale Place 1, LLC.)
Arizona	Scottsdale	12433 North 71st Street Scottsdale, AZ 85254 Kevinnijjar@majesticresidences.com	(714) 272-5100	Kevin Nijjar (Sweetwater Place 1, LLC.)
Indiana	Fort Wayne	7210 Covington Road Fort Wayne, IN 46804 (CovingtonSprings@majesticresidences.co m)	(260) 466-4552	Robert Ueber (Covington Springs, LLC)
Texas	Dallas	5105 Creighton Drive Dallas, TX 75214 Thearborwoods@majesticresidences.com	(404) 906-7345	Nicole Shannon (Triple M Care Services, LLC)
Texas	Magnolia	33417 Pinehurst Loop Magnolia, TX 77355 valiente@majesticresidences.com	(281) 962-0223	Sohail Syed (Valiente Senior Living, LLC)

Part B (Former Franchisees Who Left System During Prior Fiscal Year)

State	City	Address	Phone	Owner Name(s)
Kansas	Shawnee	11701 West 60th Place Shawnee, KS 66203 felecia@moneywithmission.com	(808) 349-3412	Felecia Froe (Golden Oaks, LLC)

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

EXHIBIT F

TO MAJESTIC RESIDENCES DISCLOSURE DOCUMENT

**FRANCHISOR'S AGENT FOR SERVICE OF PROCESS AND
LIST OF STATE AGENCIES/ AGENTS FOR SERVICE OF PROCESS**

[See Attached]

FRANCHISOR'S AGENT FOR SERVICE OF PROCESS

James Ullman, Attorney at Law
Ullman Law Group, LLC
5646 North Scottsdale Road
Scottsdale, Arizona 85253

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws. We might not be registered to sell franchises in all of these states.

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Financial Protection & Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 1-866-275-2677	Department of Financial Protection & Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103 1-860-240-8230	Connecticut Banking Commissioner Same Address
FLORIDA	Department of Agriculture & Consumer Services Division of Consumer Services The Rhodes Building 2005 Apalachee Parkway Tallahassee, FL 32399 850-410-3800	Same
GEORGIA	Office of Consumer Affairs 2 Martin Luther King Jr. Drive, Suite 356 Atlanta, GA 30334 404-651-8600	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
HAWAII	State of Hawaii Business Registration Division Securities Compliance Branch Dept. of Commerce and Consumer Affairs 335 Merchant Street, Room 205 Honolulu, HI 96813 808-586-2722	Hawaii Commissioner of Securities Same Address
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62701 217-782-1090	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 317-232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204
IOWA	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 515-281-4441	Same
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 502-696-5389	Same
LOUISIANA	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 504-342-7013 (gen. info.) 504-342-7900	Same
MAINE	Department of Business Regulations State House - Station 35 Augusta, ME 04333 207-298-3671	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 410-576-6300	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Department of Attorney General Consumer Protection Franchise Division 525 W. Ottawa Street G. Mennen Williams Bldg., 1 st Floor Lansing, MI 48913 517-335-7567	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101 651-539-1500	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Department of Banking and Finance 1526 K Street #300 Lincoln, NE 68508 Tele: 402-471-2171	Same
NEW HAMPSHIRE	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 603-271-3641	Same
NEW YORK	Investor Protection Bureau New York State Department of Law 28 Library Street, 21 st Floor New York, NY 10005 212-416-8222	Secretary of State of New York 99 Washington Avenue Albany, NY 12231
NORTH CAROLINA	Secretary of State's Office/Securities Division Legislative Annex Building 2 South Salisbury Street Raleigh, NC 27601 919-814-5400	Secretary of State Secretary of State's Office 2 South Salisbury Street Raleigh, NC 27601
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 701-328-2910	North Dakota Securities Commissioner Same Address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
OHIO	Attorney General Consumer Fraud & Crime Section State Office Tower 30 East Broad Street, 14th Floor Columbus, OH 43215 800-282-0515	Same
OKLAHOMA	Oklahoma Securities Commission 204 N. Robinson Ave., Suite 400 Oklahoma City, OK 73102 405-280-7700	Same
OREGON	Department of Insurance and Finance Corporate Securities Section 350 Winter Street, NE Room 410 Salem, OR 96309 503-378-4140	Director Department of Insurance and Finance Same Address
RHODE ISLAND	Securities Division Department of Business Regulation 1511 Pontiac Avenue Cranston, RI 02920 401-462-9500	Director of the Rhode Island Department of Business Regulation Rhode Island Attorney General JOHN O. PASTORE CENTER Bldg. 69, First Floor 1511 Pontiac Avenue Cranston, RI 02920
SOUTH CAROLINA	Secretary of State 1205 Pendleton Columbia, SC 29201 803-771-0131	Same
SOUTH DAKOTA	Department of Revenue and Regulation Division of Securities 124 South Euclid Avenue, 2 nd Floor Pierre, SD 57501 605-773-3563	Director of South Dakota Division of Securities Same Address
TEXAS	Secretary of State Statutory Documents Section 1019 Brazos Austin, TX 78701 512-463-5705	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South Salt Lake City, UT 84114 801-530-6601	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9 th Floor Richmond, VA 23219 804-371-9051	Clerk of the State Corporation Commission 1300 E. Main Street Richmond, VA 23219
WASHINGTON	Department of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 360-902-8700	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501
WISCONSIN	Wisconsin Dept. of Financial Institutions Division of Securities 345 W. Washington Avenue, 4th Floor Madison, WI 53703 608-266-8557	Wisconsin Commissioner of Securities Same Address

EXHIBIT G
TO MAJESTIC RESIDENCES DISCLOSURE DOCUMENT
CONFIDENTIAL OPERATIONS MANUAL TABLE OF CONTENTS

PHASE I TRAINING MANUAL

Mission Vision & Values	1
Starting Your Business	8
Financing Your Home	23
Licensing Your Home	31
Supplemental: Video Training For Phase I	

PHASE 2 MANUAL

Hiring and Recruiting	1
Sample Employee Manual	44
Common Diseases of the Elderly	88
Operating Your Home	195
Supplemental: Video Training For Phase 2	

PHASE 3 MANUAL

Marketing Your Home	1
Working With Placement Agents	31
Touring Your Home	40
Grand Opening	60
Supplemental: Video Training For Phase 3	

EXHIBIT H

TO MAJESTIC RESIDENCES DISCLOSURE DOCUMENT

INTELLECTUAL PROPERTY LICENSE AGREEMENT

[See Attached]

INTELLECTUAL PROPERTY LICENSE AGREEMENT

THIS INTELLECTUAL PROPERTY LICENSE AGREEMENT, is effective this 21st day of October, 2020 (the "Effective Date") by and between Majestic Residences IP Holdings, LLC, an Arizona limited liability company, ("Majestic IP") and Majestic Residences Franchise Systems, LLC, a Delaware limited liability company ("Majestic Franchising").

RECITALS

WHEREAS, Majestic IP is the owner of the trademarks, service marks, logos, trade dress and other commercial symbols listed in Exhibit A (collectively, the "Trademarks");

WHEREAS, Majestic Franchising is a business that sells franchises that deliver non-medical care in a group residential home setting that is performed by trained caregivers around the clock, seven days a week (the "Franchise Services") for senior residential care services ("Care Services");

WHEREAS, in order for Majestic Franchising to conduct the Franchise Services, Majestic Franchising requires a license to the Trademarks for use on and in connection with the Franchise Services and the sublicense of the same to franchisees authorized under agreement by Majestic Franchising ("Franchisees") for use in connection with the Care Services;

WHEREAS, Majestic IP is willing to grant to Majestic Franchising a limited license in the Trademarks, subject to the terms and conditions herein.

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises and covenants herein, the parties agree as follows:

1. LICENSE GRANT.

1.1 Subject to the terms of this Agreement, Majestic IP grants Majestic Franchising a royalty-free, non-exclusive license to use the Trademarks and the goodwill attendant thereof, solely within the United States to (i) operate and provide the Franchise Services, (ii) use the Trademarks on marketing and promotional materials in connection with the Franchise Services ("Materials"), (iii) sublicense the same to Franchisees for use in connection with Care Services subject to the terms and conditions of this Agreement, and (iv) use "Majestic" as part of Majestic Franchising's corporate or legal entity name, as permitted .

1.2 Majestic IP retains exclusive ownership and the right to use the Trademarks for its business purposes, including without limitation the licensure of other third parties in Majestic IP's discretion.

1.2 The Trademarks shall be used by Majestic Franchising only in connection with the Franchise Services under this Agreement and may not be used for any other purpose.

1.3 Majestic Franchising acknowledges that from time to time and without Majestic Franchising's approval, Majestic IP may modify certain elements of the Trademarks, including without limitation the addition of new marks and modifications to existing Trademarks. Accordingly, Majestic IP does not represent or warrant that the Trademarks or any of their elements as provided to Majestic Franchising will be maintained or used by Majestic IP in any particular fashion. In the event that Majestic IP modifies the Trademarks or creates new trademarks, it will notify Majestic Franchising and make such modified or new trademarks and the parties will discuss whether such materials will be made available for use by Majestic Franchising. To the extent the parties agree that such new materials may be used by Majestic Franchising in connection with the Franchise Services or Care Services, any such modifications will be considered part of the Trademarks, as applicable, and automatically licensed to Majestic Franchising hereunder.

2. QUALITY CONTROL.

2.1 Subject to the terms of this Section 2, Majestic Franchising acknowledges Majestic IP's right to approve the quality, style and appearance of the Franchise Services, are Services, and any Materials bearing any Trademark or otherwise used in connection with the Franchise Services or Care Services.

2.2 The Franchise Services, and any product sold, displayed, or otherwise used in connection with the Franchise Services must be provided, marketed, distributed, manufactured and developed by or on behalf of Majestic Franchising in accordance with all applicable federal, state and local laws and regulations. Majestic Franchising is also responsible to ensure that Care Services provided by any Franchisee are provided, marketed, distributed, manufactured and developed by or on behalf of the Franchisees in accordance with all applicable federal, state and local laws and regulations.

2.3 Majestic Franchising is solely responsible for the sublicensing of the Trademarks to Franchisees for use by Franchisees in connection with Care Services, which sublicense is subject to Majestic IP's prior review and approval.

2.4 Prior to any use of any Trademark by Majestic Franchising, Majestic Franchising will submit such anticipated use to Majestic IP for review. Majestic IP will have five (5) days prior to Majestic Franchising using the Trademarks to review the use of such Trademarks by Majestic Franchising for compliance with Majestic IP's standards. In the event, Majestic IP does not notify Majestic Franchising of any nonconformity with such standards within the 5-day period, Majestic Franchising may proceed and Majestic IP's approval will be deemed granted. Once Majestic IP has approved the use of the Trademarks, neither Majestic Franchising nor any Franchisee may materially modify the appearances of the Trademarks without Majestic IP's subsequent review and written approval of such modifications.

2.7 Majestic Franchising agrees to use the Trademarks in accordance with generally accepted proper trademark usage. Majestic Franchising further agrees not to use the Trademarks in any manner which derogates, ridicules or places in an unfavorable light the Trademarks or the reputation of Majestic IP. Majestic Franchising is solely responsible for ensuring all Franchisees are compliant with generally accepted proper trademark usage when using the Trademarks.

2.8 Upon written request from Majestic IP, Majestic Franchising will provide representative samples of all Trademark-branded Materials or other products which display the Trademarks used by Majestic Franchising or any Franchisees to Majestic IP for approval. In the event Majestic IP determines such samples do not meet Majestic IP standards as required by the terms of this Agreement, Majestic IP will notify Majestic Franchising and Majestic Franchising will promptly remedy the same and destroy all non-conforming materials at Majestic Franchising's cost. Unless Majestic IP has a reasonable and good faith belief that Majestic Franchising's or any Franchisee's uses of the Trademarks do not comply with the standards set forth in this Section 2, Majestic IP may make no more than four (4) such requests per year.

2.9 Majestic IP may review Majestic Franchising's provision of the Franchise Services at any time to ensure the quality of the same and compliance with the terms of this Agreement, provided such review is during regular business hours and does not unreasonably interrupt Majestic Franchising's conduct of business. In the event Majestic IP determines as a result of such review that any Franchise Services do not meet Majestic IP's standards as set forth in this Agreement, Majestic Franchising will promptly remedy such nonconformance.

2.10 In addition, Majestic IP will have the right to take such action and provide such instructions to Majestic Franchising as Majestic IP determines is necessary to assure that the Franchise Services and Care Services and all uses of Trademarks in connection with the same conform to the Majestic IP standards, and Majestic Franchising will cooperate with Majestic IP and follow Majestic IP's instructions as provided in writing to correct any deficiencies to bring them into conformity with the Majestic IP standards.

2.11 Majestic Franchising may not modify the Trademarks as provided by Majestic IP, without prior express written consent of Majestic IP. In the event Majestic Franchising develops any changes or modifications to the Trademarks, Majestic Franchising will provide Majestic IP with notice of such development and copies of the same and Majestic Franchising expressly agrees to assign and hereby assigns all right, title and interest in and to any such changes or modifications in full at no charge or cost to Majestic IP.

3. ADDITIONAL MAJESTIC FRANCHISING OBLIGATIONS.

3.1 Majestic Franchising will comply with all applicable laws and regulations and obtain all appropriate governmental approvals pertaining to the provision of the Franchise Services. Majestic Franchising will exercise commercially reasonable control over any Franchisee to ensure the above quality controls are met and all use of the Trademarks meet or exceed the Majestic IP standards.

3.2 Majestic Franchising will use commercially reasonable efforts to market the Care Services to potential Franchisees.

3.3 Majestic Franchising must promptly notify Majestic IP of any non-routine inquiry, investigation, inspection or any other action by any governmental body or other person or entity, with respect to the Franchise Services or products or materials provided under the Trademarks, including without limitation any such matter that pertains to product quality and/or safety.

3.4 Each party will promptly notify the other of any end user customer complaints made that involve complaints related to the Franchise Services provided by Majestic Franchising or any Franchisee or any Trademark. Majestic Franchising will use efforts consistent with its customary policies and practices to resolve such complaints and inquiries.

4. TERMINATION AND EXPIRATION.

4.1 Subject to the termination provisions set forth in Section 4, this Agreement will remain in full force and effect so long as Majestic Franchising continues to use the Trademarks in connection with the Franchise Services.

4.2 Unless otherwise agreed upon by the parties in writing, this Agreement will expire upon the following:

- (i) Dissolution of Majestic Franchising;
- (ii) Consolidation or merger of Majestic Franchising;
- (iii) Majestic Franchising petitions for relief under the Bankruptcy Code of the United States, or any country or territory, or if voluntary bankruptcy proceedings are instituted under any federal, state or foreign insolvency laws, or if such a proceeding is imminent, or if it is adjudged bankrupt, or if Majestic Franchising makes an assignment for the benefit of its creditors of all or substantially all of Majestic Franchising's assets.

4.3 Either party may terminate this Agreement upon written notice to the other in the event of a breach by the other party which remains uncured within thirty (30) days following such written notice, provided the written notice provides sufficient details as to the nature of the alleged breach.

4.4 Upon termination or expiration of this Agreement, the rights granted in the Agreement shall continue with respect to the then-operating Franchisees through the then existing renewal terms in such Franchisee agreements with Majestic Franchising, but shall cease with respect to Majestic Franchising's development of additional ventures or amendments on existing franchise agreement that would extend the duration of the agreement.

5. OWNERSHIP AND PROTECTION OF RIGHTS.

5.1 Majestic IP will be responsible for all filing, prosecution and retention of any state or federal applications or registrations for the Trademarks or any portion thereof, which filings and registrations will be in the discretion of and under the direction of Majestic IP and its reasonable counsel of choice. Majestic Franchising may not file or apply for any applications covering any Trademarks or any portion thereof under this Agreement as further set forth below.

5.2 Majestic Franchising recognizes the value of the goodwill associated with the Trademarks and acknowledges that such goodwill belongs exclusively to Majestic IP. Majestic Franchising acknowledges the exclusive right, title and interest of Majestic IP in and to the

Trademarks and agrees that it will not claim or represent that it owns any right, title, or interest in or to any of the Trademarks.

5.3 Majestic Franchising agrees that its use of the Trademarks inures to the benefit of Majestic IP and agrees not to register, attempt to register, or attempt to obtain ownership, on its own behalf or through a third party, in any jurisdiction, of any of the Trademarks or part thereof. Majestic Franchising further agrees not to contest Majestic IP's ownership of the Trademarks.

5.4 At the request of Majestic IP, Majestic Franchising will perform any reasonable acts necessary to preserve and protect, and to vest in Majestic IP's ownership of and title to the Trademarks, including, without limitation, the execution and delivery of necessary documents.

5.5 Majestic Franchising agrees not to use or authorize use of, either during or after the term of this Agreement, any configuration, mark, name, design, logo or other designation confusingly similar to any of the Trademarks.

5.6 Majestic Franchising agrees to notify Majestic IP promptly of any merchandise or services advertised, promoted or sold that may constitute an infringement or improper use of the Trademarks, of which Majestic Franchising has knowledge. Majestic IP has the sole right (but not the obligation) to pursue the same and will pursue any such alleged infringement or use in its discretion. Majestic Franchising agrees not to contact any third party, not to make any demands or claims, not to institute any suit, and not to take any other action on account of such infringements or uses without first obtaining the prior written permission of Majestic IP. All costs and expenses, including attorneys' fees, incurred in connection with any suit instituted by Majestic Franchising without the consent of Majestic IP will be borne solely by Majestic Franchising.

5.7 At the request of Majestic IP, Majestic Franchising further agrees to assist Majestic IP in obtaining, defending and enforcing its rights in or registration of the Trademarks by providing evidence, testimony, and documents concerning, among other things, Majestic Franchising's use of the Trademarks, and by taking any other action reasonably requested by Majestic IP, including but not limited to joining in any such enforcement action, at Majestic IP's expense.

6. INDEMNIFICATION.

6.1 Majestic IP assumes no liability to Majestic Franchising or any third parties with respect to the Franchise Services or products provided by Majestic Franchising. Majestic Franchising agrees to hold harmless and indemnify Majestic IP and its officers, shareholders, affiliates, employees and agents against liabilities, damages, judgments, expenses, fines, penalties, costs and fees (including but not limited to reasonable attorneys' fees and costs) incurred as a result of or arising from any third party claim, allegation, lawsuit, demand or proceeding, based upon or arising from (i) the provision of the Franchise Services, (ii) the use or distribution of any product or service, (iii) any act or omission of Majestic Franchising or its Franchisees, personnel, agents or representatives, (iv) any violation of applicable law or regulation, or (v) any breach of this Agreement, including, but not limited to, unauthorized use of the Trademarks.

6.2 Majestic IP agrees to hold harmless, defend and indemnify Majestic Franchising, its officers, shareholders, employees and agents against liabilities, damages, judgments, expenses, fines, penalties, costs and fees (including but not limited to reasonable attorneys' fees and costs) incurred as a result of or arising from any third party claim, allegation, lawsuit, demand or proceeding, based upon or arising from a third party claim of trademark, trade dress or copyright infringement, or unfair competition under U.S. law related to Majestic Franchising's authorized use of the Trademarks as permitted by this Agreement on or in connection with the Franchise Services as expressly authorized by this Agreement provided that (a) prompt written notice is given to Majestic IP of any such suit or claim; (b) Majestic IP will have the option and right to undertake and conduct the defense of any such suits or claims brought against Majestic Franchising (provided Majestic Franchising can participate in such defense with attorneys of its own choice and at its own cost); and (c) no settlement of any suit or claim is made or entered into without the prior express written consent of Majestic IP, which may not be unreasonably withheld, conditioned or delayed.

7. LIMITATION OF LIABILITY. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, NEITHER PARTY WILL BE LIABLE TO THE OTHER FOR ANY CONSEQUENTIAL, INDIRECT, INCIDENTAL OR SPECIAL DAMAGES, INCLUDING LOSS OF PROFIT, CAUSED BY BREACH OF THIS AGREEMENT. THE FOREGOING LIMITATION DOES NOT APPLY TO THE PARTIES' INDEMNIFICATION OBLIGATIONS AS SET FORTH IN THIS AGREEMENT.

8. INSURANCE. For and during the term of this Agreement and for so long as Majestic Franchising is performing its obligations hereunder, Majestic Franchising shall secure and maintain at its own expense insurance of the type and in sufficient quantities reasonable given the nature of the Franchise Services and Majestic Franchising's business. Majestic Franchising will provide Majestic IP with certificates of insurance evidencing the above coverage with insurance carriers with an A.M. Best rating of A- VII or better. The certificates of insurance will provide that the carrier will endeavor to give Majestic IP at least thirty (30) days' prior written notice of any material change or cancellation of coverage. Such insurance policies will contain a waiver of all subrogation rights (and such policies will be so endorsed to so provide if necessary), at no additional cost to Majestic IP. All insurance maintained by Majestic Franchising will be primary and noncontributory with respect to any insurance or self-insurance maintained by Majestic IP. Majestic IP's approval of any insurance policies maintained by Majestic Franchising under this Agreement will not relieve Majestic Franchising of any obligations or act as any limitation of liability.

9. REMEDIES. The parties hereto acknowledge that any material breach of this Agreement by Majestic Franchising will result in immediate and irreparable damage, and that money damages alone will be inadequate to compensate the non-breaching party. Therefore, in the event of a material breach or threatened material breach of any provision of this Agreement by Majestic Franchising, Majestic IP may, in addition to all other remedies, obtain immediate injunctive relief prohibiting the breach or compelling specific performance without the posting of a bond, proof of damages or other similar requirement.

10. SEVERABILITY. If any provision of this Agreement is held to be unenforceable, such provision will be limited and construed so as to make it enforceable consistent with the parties'

manifest intentions or, if such limitation or construction is not possible or would be inconsistent with the parties' manifest intentions, such provision will be deemed stricken from this Agreement. In any such event, all other provisions of this Agreement will remain in full force and effect, unless such enforcement would result in an injustice or be inconsistent with the purposes of this Agreement.

11. WAIVER. No waiver of any term of this Agreement will be valid unless in writing signed by the party against which the waiver is sought to be enforced. No waiver by either party of any breach of or failure of performance under this Agreement will be deemed a continuing waiver or a waiver as to any subsequent or similar breach.

12. NO ASSIGNMENT. Neither this Agreement nor any right, license or privilege granted to Majestic Franchising herein is assignable, by operation of law or otherwise, without the other party's prior written consent to such assignment. Notwithstanding the foregoing, Majestic IP may assign this Agreement to an affiliate or in the event of a merger, acquisition or sale of substantially all the assets upon written notice to Majestic Franchising.

13. NOTICE. Any notice to be given under this agreement must be given to the parties as follows:

If to Majestic IP:

2053 East Sanoque Boulevard
Gilbert, AZ 85298

If to Majestic Franchising:

2053 East Sanoque Boulevard
Gilbert, AZ 85298

14. GOVERNING LAW. This Agreement is made in the State of Arizona and is governed and construed by the internal laws of the State of Arizona without regard to any conflicts of law's provisions. Venue for any dispute is properly in the appropriate state and federal courts with jurisdiction over Maricopa County, Arizona, which the parties agree is the exclusive venue for any disputes between the parties and have personal jurisdiction over both parties. The parties waive any claim of forum non -conveniens or other object as to forum.

15. ENTIRE AGREEMENT. This Agreement contains the entire agreement between the parties with regard to its subject matter and supersedes all prior agreements between them pertaining to its subject matter. This Agreement may be altered or amended only in a duly executed writing.

IN WITNESS WHEREOF, the undersigned parties have duly executed this Agreement on the date below.

Majestic Residences IP Holdings, LLC,
an Arizona limited liability company
("Majestic IP")

By: 

Name: Chuck Bongiovanni

Its: Managing Member

Dated: October 21, 2020

Majestic Residences Franchising Systems, LLC,
a Delaware limited liability company
("Majestic Franchising")

By:  _____

Name: Chuck Bongiovanni

Its: Managing Member

Dated: October 21, 2020

EXHIBIT A

Federal Trademarks

MARK	SERIAL-NUMBER	APPLICATION-DATE
	¶ 88/514,374	¶ July 15, 2019
Majestic Residences	88/514,376	July 15, 2019

EXHIBIT I
TO MAJESTIC RESIDENCES DISCLOSURE DOCUMENT
STATE-SPECIFIC ADDITIONAL DISCLOSURES AND RIDERS

None.

EXHIBIT J

TO MAJESTIC RESIDENCES DISCLOSURE DOCUMENT

GENERAL RELEASE

[See Attached]

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (the "Release") is made on _____, 20__ by _____, a(n) _____ ("Releasor") in favor of Majestic Residences Franchise Systems, LLC, a Delaware limited liability company ("Franchisor," and together with Releasor, the "Parties").

WHEREAS, Franchisor and Releasor have entered into one or more Franchise Agreements (collectively, the "Agreement"), pursuant to which Releasor was granted the right to own and operate one or more Majestic Residences Businesses [and to solicit and assist other franchisees in owning and operating Majestic Residences Businesses within the Development Area described therein];

WHEREAS, Releasor has notified Franchisor of its desire to transfer the Agreement and all rights related thereto to a transferee [enter into a successor agreement], and Franchisor has consented to such transfer; and

WHEREAS, as a condition to [Releasor's ability to enter into a successor agreement] Franchisor's consent to the transfer, Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of [Franchisor entering into a successor agreement with Releasor] Franchisor's consent to the transfer, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims or obligations being terminated and released hereunder. [_____] represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Releasor.

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries or related companies, divisions and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals, from any and all claims, liabilities, damages, expenses, actions or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions or causes of action directly or indirectly arising out of or

relating to the execution and performance of the Agreement and the offer and sale of the franchise rights related thereto.

3. Miscellaneous.

(a) Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

(b) This Release shall be construed and governed by the laws of the State of Arizona.

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

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

(e) This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by both Parties.

(f) If one or more of the provisions of this Release shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

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

[SIGNATURE PAGE FOLLOWS]

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

_____, a(n) ____

By: _____
Name: _____
Its: _____

STATE OF _____)
) ss.

County of _____)

SUBSCRIBED AND SWORN to before me this ____ day of _____, 20__.

Notary Public

My Commission Expires:

EXHIBIT K

TO MAJESTIC RESIDENCES DISCLOSURE DOCUMENT

CONFIDENTIALITY AGREEMENT

RESTRICTIVE COVENANT AND CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is entered into on _____, 20__ between _____ ("Employee") and the following Majestic Residences franchisee: _____ (the "Employer") as follows:

WHEREAS, Employer is and has been engaged in the business that offers _____ and related services and has built up and established an extensive business in this area; and

WHEREAS, the principal assets of Employer are (1) the good will of its business, consisting of its clients doing business with Employer; (2) the names and addresses of Employer's clients and (c) trade secrets and other confidential and proprietary business information of Employer (including those owned by Employer and those licensed by Employer from Majestic Residences Franchise Systems, LLC) ; and

WHEREAS, each of the employees employed and entrusted by Employer to perform _____ is able to learn the names of Employer's clients, and is enabled by such employment to discover and acquire the names of Employer's clients, trade secrets and confidential business information and methods of doing business; and

WHEREAS, Employee desires to be employed by Employer ;

NOW THEREFORE, in consideration of Employer employing Employee, sharing with Employee information on its clients and other confidential and trade secret information, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, Employee and Employer agree as follows:

1. **Definitions.**

The term "Non-Compete Period" shall refer to the period from the date that this Agreement is signed by both parties to the date the Employee's employment is terminated with Employer, whether voluntarily or involuntarily, and whether for cause or without cause.

The phrase "directly or indirectly" shall include either as an individual or as a partner, joint venturer, employee, agent, executive, independent contractor, officer, director, stockholder or otherwise.

2. **Non-solicitation of clients.**

Employee shall not, during the Non-Compete Period or for a period of two (2) years thereafter, directly or indirectly, solicit, any client or prospective client of Employer in _____ using the confidential information, proprietary information or trade secrets, or any other methods constituting unfair competition, unless such solicitation is made at the direction of Employer or as an employee of Employer. For the purposes of this paragraph, the term "client" shall mean any person or entity who has purchased services from Employer within

the one (1) year period immediately preceding the termination of Employee's employment, and "prospective client" shall mean any person or entity to whom Employer has made a proposal, written or oral, to provide to provide services within the six (6) months immediately preceding the termination of Employee's employment.

3. Non-solicitation of employees.

Employee agrees that during the Non-Compete Period and for a period of two (2) years thereafter, Employee shall not in any way use Employer's confidential information, proprietary information or trade secrets or use any other methods constituting unfair competition to solicit for employment, or endeavor in any way to entice or lure away from employment with Employer, any employee, officer, director or agent of Employer who was employed by Employer at the time Employee's employment with Employer terminated.

4. Confidentiality of business information.

Employee agrees that during the Non-Compete Period, Employee shall not, directly or indirectly, disclose or use for the benefit of himself or herself or any other person, corporation, partnership, joint venture, association, or other business organization, any of the trade secrets or confidential business information of Employer ("Confidential Information").

For purposes of this Agreement, "Confidential Information" shall mean

(i) the names of clients, pricing lists (including item and client specific pricing information); proprietary purchasing and sales methods and techniques; pricing methods and strategies; databases, computer software design and/or improvements; market feasibility studies; proposed or existing marketing techniques or plans; future business plans of Employer; project files; design systems, manufacturing processes, techniques, information on current and potential suppliers and supplies, the identity of various suppliers/vendors of services;

(ii) any information that is of value or significance to Employer that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, including information not generally known to the competitors of Employer nor intended by Employer for general dissemination.

5. Return of confidential information.

All books, disks, records, files, forms, reports, accounts, papers and documents relating in any manner to Employer's business, whether prepared by Employee or anyone else, are the exclusive property of Employer and shall be returned immediately to Employer upon termination of Employee's employment, or upon the Employer's request at any time.

6. Remedies; attorney's fees.

Employee acknowledges that the covenants contained in this Agreement are reasonable and necessary to protect the legitimate business interests of Employer, that Employer makes a substantial investment in its personnel by training them and by giving them access to Employer's Confidential Information and clients, and that Employer's willingness to employ or continue to employ the Employee is contingent upon Employee executing this Agreement.

Employee further acknowledges that any breach of this Agreement shall cause irreparable injury to Employer and that in the event of such breach Employer shall be entitled to seek temporary and permanent injunctive relief against Employee and any persons or entities acting in concert with Employee, in addition to any other legal and equitable remedies to which Employer may be entitled. In any action to enforce the terms of this Agreement, the prevailing party shall be entitled to attorneys' fees and costs at all trial and appellate levels.

7. Severability; governing law; integration clause; waiver.

Employee hereby agrees that each provision in this Agreement shall be treated as a separate and independent clause, and the unenforceability of any one clause shall in no way impair the enforceability of any of the other clauses herein. Moreover, if one or more of the provisions contained in this Agreement shall for any reason be held to be overly broad as to geography, time, activity or subject so as to be unenforceable at law or equity, such provision or provisions shall be construed by the appropriate judicial body by limiting and reducing it or them so as to be enforceable to the maximum extent compatible with applicable law. It is the intent of the parties that this Agreement be enforced to the greatest extent allowable in law or equity.

This Agreement, including but not limited to all issues regarding enforcement, interpretation, and damages, shall be governed by the laws of the State of Arizona, without regard to conflict of laws.

This Agreement contains the entire understanding between the parties with respect to the matters contained herein. Any amendment or modification to this Agreement must be in writing and signed by both parties to this Agreement.

The waiver by Employer of a breach of any provision of this Agreement by Employee shall not operate or be construed as a waiver of any subsequent breach by Employee.

8. Third party beneficiaries.

Employee expressly acknowledges and agrees that Majestic Residences Franchise Systems, LLC is the third party beneficiaries to this Agreement, that any violation of this Agreement shall cause them direct harm, and that they have a right to enforce this Agreement in accordance with its terms.

9. **Assignability; survival.**

This Agreement may be assigned by Employer to any successor of Employer, whether by merger, sale of stock or assets, or otherwise, in which the successor substantially carries on the business of Employer. This Agreement is not assignable by Employee.

The provisions of this Agreement shall survive the termination of Employee's employment with Employer.

10. **Not a contract of employment for definite term; headings.**

Employee acknowledges and agrees that this Agreement does not constitute, nor should it be construed as, a contract of employment for a definite term. Employee further acknowledges that employment with Employer is at will, which means that the employment relationship can be terminated by either Employer or the Employee at any time, with or without cause and with or without notice.

The headings contained in this Agreement are for the convenience of the parties, and shall not be construed as terms or conditions of this Agreement.

ACCEPTED AND AGREED TO:

Employee: _____
Print Name: _____
Date: _____

Dba Majestic Residences
By: _____
Its: _____
Print Name: _____
Date: _____

EXHIBIT L
TO MAJESTIC RESIDENCES DISCLOSURE DOCUMENT
FINANCING DOCUMENTS

None.

EXHIBIT M

TO MAJESTIC RESIDENCES DISCLOSURE DOCUMENT

FRANCHISEE QUESTIONNAIRE

[See Attached]

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know, Majestic Residences Franchise Systems, LLC ("we" or "us"), and you are preparing to enter into a Franchise Agreement for the operation of a *Majestic Residences* franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise.

You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee. Please review each of the following questions carefully and provide honest responses to each question. If you answer "No" to any of the questions below, please explain your answer on the back of this sheet.

- | | | | |
|-------|------|----|--|
| Yes__ | No__ | 1. | Have you received the Franchise Agreement and each Exhibit or schedule attached to it? |
| Yes__ | No__ | 2. | Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it? |
| Yes__ | No__ | 3. | Have you discussed the benefits and risks of developing and operating a <i>Majestic Residences</i> franchise with an existing <i>Majestic Residences</i> franchisee? |
| Yes__ | No__ | 4. | Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be mediated in Arizona, if not resolved informally or by mediation? |
| Yes__ | No__ | 5. | Do you understand that you (and any Manager employed by you) must satisfactorily complete the initial training course before we will allow your franchised business to open or consent to a transfer? |
| Yes__ | No__ | 6. | Do you understand that the Franchise Agreement and exhibits to the Franchise Agreement contain the entire agreement between us and you concerning the franchise for the <i>Majestic Residences</i> facility, meaning any prior oral or written statements not set out in the Franchise Agreement or the exhibits to the Franchise Agreement will not be binding? |

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE

CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

ANY REPRESENTATIONS ABOVE WHICH REQUIRE YOU TO ASSENT TO ANY RELEASE, ESTOPPEL OR WAIVER OF LIABILITY AS A CONDITION OF PURCHASING A FRANCHISE ARE NOT INTENDED TO NOR SHALL THEY ACT AS A RELEASE, ESTOPPEL OR WAIVER OF ANY LIABILITY INCURRED UNDER THE INDIANA FRANCHISE REGISTRATION AND DISCLOSURE LAW

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

EXPLANATION OF ANY NEGATIVE RESPONSES [REFER TO QUESTION NUMBER]:

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	May 23, 2023
Hawaii	March 24, 2022
Illinois	
Indiana	November 18, 2023
Maryland	January 23, 2023
Michigan	November 21, 2023
Minnesota	September 11, 2023
New York	
North Dakota	
Rhode Island	December 2, 2022
South Dakota	
Virginia	January 22, 2023
Washington	July 17, 2023
Wisconsin	November 12, 2022

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

EXHIBIT N
TO MAJESTIC RESIDENCES DISCLOSURE DOCUMENT
RECEIPTS

[See Attached]

RECEIPT #1

(This copy is for the prospective franchise owner and must remain herein)

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

If Majestic Residences Franchise Systems, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in Exhibit F to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are:

_____ Chuck Bongiovanni, 460 South Greenfield Road, Suite 5, Mesa, Arizona 85206, (877) 777-7916

_____ Shannon McInnis, 460 South Greenfield Road, Suite 5, Mesa, Arizona 85206, (877) 777-7916

Majestic Residences Franchise Systems, LLC's agent to receive service of process is listed in Exhibit E to this Disclosure Document.

Issuance Date: April 15, 2023 (except as otherwise indicated on the State Cover Page)

I have received the Majestic Residences Franchise Systems, LLC Franchise Disclosure Document that included the following Exhibits:

Exhibit A	Financial Statements
Exhibit B	Guarantee of Performance
Exhibit C	Franchise Agreement
Exhibit D	Guaranty
Exhibit E	List of Franchisees
Exhibit F	Franchisor's Agent For Service Of Process and List of State Agencies/Agents for Service of Process
Exhibit G	Confidential Operations Manual Table of Contents
Exhibit H	Intellectual Property License Agreement
Exhibit I	State-Specific Additional Disclosures and Riders
Exhibit J	General Release
Exhibit K	Confidentiality Agreement
Exhibit L	Financing Documents
Exhibit M	Franchisee Questionnaire

Exhibit N Receipts

Date

(State in which proposed franchise to be located)

Franchisee (signature)

(Printed Name)

(This receipt should be executed in duplicate. Receipt #1 must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. Receipt #2 must be signed and returned to Majestic Residences Franchise Systems, LLC.)

RECEIPT #2

(This copy must be signed by the prospective franchise owner and returned to Majestic Residences Franchise Systems, LLC.)

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 Majestic Residences Franchise Systems, LLC offers you a franchise, it must provide this Disclosure Document to you fourteen (14) days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If Majestic Residences Franchise Systems, LLC does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in Exhibit F to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are **(to be completed by franchise seller involved in sales process)**:

_____ Chuck Bongiovanni, 460 South Greenfield Road, Suite 5, Mesa, Arizona 85206, (877) 777-7916

_____ Shannon McInnis, 460 South Greenfield Road, Suite 5, Mesa, Arizona 85206, (877) 777-7916

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Exhibit M	Franchisee Questionnaire

Exhibit N Receipts

Date

(State in which proposed franchise to be located)

Franchisee (signature)

(Printed Name)

(This receipt should be executed in duplicate. Receipt #1 must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. Receipt #2 must be signed and returned to Majestic Residences Franchise Systems, LLC.)