# FRANCHISE DISCLOSURE DOCUMENT

INCLUDING

# FRANCHISE AGREEMENT

NETWORK IN ACTION INTL. LLC

# FRANCHISE DISCLOSURE DOCUMENT

**FRANCHISOR**
Network In Action Intl. LLC
A Texas limited liability company
770 S. Post Oak Lane, Suite 105
Houston, Texas 77056
(713) 417-6152
info@networkinaction.com
www.networkinaction.com

As a franchisee, you will host and facilitate groups which provide professional networking and referral services, under the name "Network In Action."

The total investment necessary to begin operation of a Network In Action franchise is from $27,710 to $32,700. This includes $25,000 that must be paid to us as the franchisor or our 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 the Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 Scott Talley, Network In Action Intl. LLC, 770 S. Post Oak Lane, Suite 105, Houston, Texas 77056, (713) 417-6152, info@networkinaction.com.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, 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: June 21, 2022**

## 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 Exhibits E and F. |
| **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 G 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 Network In Action business in my area?** | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you. |
| **Does the franchisor have a troubled legal history?** | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings. |
| **What's it like to be Network In Action franchisee?** | Item 20 or Exhibits E and F lists current and former franchisees. You can contact them to ask about their experiences. |
| **What else should I know?** | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents. |

## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

## Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Texas. 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 Texas than in your own state.

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

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

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

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

### The Franchisor

Network In Action Intl. LLC, a Texas limited liability company ("**we**" or "**us**" or "**our**" or "**Network In Action Intl. LLC**"), is the franchisor. We and our affiliates have our principal place of business at 770 S. Post Oak Lane, Suite 105, Houston, Texas 77056. We were formed on August 24, 2015. We conduct business under the name and mark "Network In Action" and related names, marks and slogans.

We are a franchising company which promotes and sells franchises for the operation of Network In Action businesses. We do not own or operate a business of the type being franchised, although, our manager, Gerarda Sanchez, operates three Network In Action business groups. Except as described below in connection with the offering of Network In Action area representative franchises, neither we nor our affiliates have offered franchises in any other line of business or engaged in any business activities other than those described in this Disclosure Document. We have offered franchises since March 2016.

Our agent for service of process is Gerarda Sanchez. Her principal business address is 770 S. Post Oak Lane, Suite 105, Houston, Texas 77056. If we have an agent for service of process in your state, we disclose that agent in Exhibit A.

### Our Parents, Affiliates and Predecessors

We have no predecessors or parent.

The original Network In Action business group, located in the Heights area of Houston, Texas, was established in January 2015 by our Manager, Gerarda Sanchez, doing business as Network In Action. She subsequently established the second Network In Action business group, located in the Energy Corridor area of Houston, Texas, in June 2015. She established a third Network In Action business group in 2019. Our Manager's Network In Action business is not offering, and has never offered, franchises in any line of business.

We have no affiliates required to be disclosed in this Disclosure Document.

### The Franchise Offered

We are offering franchises for businesses that operate under the name "Network In Action," (each a "**Network In Action Business(es)**"). Each Network In Action Business is established and operated using the format and system we developed (the "**Network In Action System**"), and host and facilitate groups (each a "**Network In Action Group**"), which provide professional networking and referral services. Network In Action Businesses feature and operate under the Proprietary Marks (as described below). Network In Action Businesses host and facilitate a total of three (3) Network In Action Groups. All products and services offered for sale at a Network In Action Business are subject to our approval.

Network In Action Businesses are characterized by our Network In Action System. Some of the features of our Network In Action System include (a) uniform procedures, standards and specifications; (b) training and assistance; and (c) marketing and promotional programs. We may periodically change and improve the Network In Action System.

In addition to the establishment and operation of Network In Actions Groups, you will also have the option to establish and operate one (1) Crowd Coaching Group for each Network In Action Group you operate. A "**Crowd Coaching Group**" describes a group of lesser experienced businesspeople interested in learning and gaining business insight from you and your Network In Action Group members. In the event you opt to establish and operate a Crowd Coaching Group(s), you must do so in strict conformity with such methods, standards, and specifications as we may from time to time prescribe in the Manuals (as described below) or otherwise in writing, including the successful completion of training related to the operation of such groups.

You must operate your Network In Action Business in accordance with our standards and procedures, as set out in our Confidential Operations Manuals (the "**Manuals**"). We will lend you a copy of the Manuals for the duration of the Franchise Agreement (or, at our option, we may make these available to you electronically). In addition, we will grant you the right to use our marks, including the mark "Network In Action" and any other trade names and marks that we designate in writing for use with the Network In Action System (the "**Proprietary Marks**"). We may modify the Proprietary Marks or substitute new Proprietary Marks. See Items 13 and 14 for additional information regarding the Proprietary Marks and the Manuals.

In addition to offering franchises for Network In Action Businesses, we have offered and may continue to offer area representative franchises under a separate Disclosure Document to develop, market franchises for, and service franchised Network In Action Businesses. We began offering area representative franchises October 7, 2021.

**Franchise Agreement**

We offer to enter into franchise agreements ("**Franchise Agreements**") (included as Exhibit C to this Disclosure Document) with qualified legal entities and persons ("**you**") that wish to establish and operate Network In Action Businesses. (In this Disclosure Document, "you" means the person or legal entity with whom we enter into an agreement. The term "you" also refers to the direct and indirect owners of a corporation, partnership, or limited liability company that signs a Franchise Agreement as the "franchisee").

Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to establish a Network In Action Business operating a total of three (3) Network In Action Groups established in accordance with a development schedule ("**Development Schedule**") within an agreed-upon geographical area (the "**Territory**"). (In this Disclosure Document, the term "**Franchised Business**" means the Network In Action Business franchised to you under a Franchise Agreement.)

If you are not an individual, then you must designate one of your owners, who must be an individual person with at least a ten percent (10%) ownership interest in the franchisee legal entity, and who must be reasonably acceptable to us to assume the full-time responsibility for daily supervision and operation of the Franchised Business (the "**Designated Principal**").

**Non-Use and Non-Disclosure Agreement**

You will be required to sign a Non-Use and Non-Disclosure Agreement prior to receiving information from us we deem to be confidential. This Non-Use and Non-Disclosure Agreement is included as Exhibit D to this Disclosure Document.

## The Market and Competition

The market for networking and referral services, as well as businesses like ours, is well developed and competitive. You will serve the general public and will compete with a variety of businesses, from locally owned to national and chain businesses. These businesses compete on the basis of factors such as price, service, location and quality.

We may establish other Network In Action Businesses in your area (if permitted under the Franchise Agreement) and/or sell or license others to sell products and/or services in your area. Also, we may sell related products through wholesalers, distributors, the Internet, toll-free telephone numbers, catalogs, or other similar means of distribution to customers at any location, whether or not located in your area. See Items 12 and 16 for a description of your permitted and restricted activities and rights, as well as our permitted and restricted activities and rights. To the extent your Franchised Business may be located near another Franchised Business, you may appear to or actually compete with other Network In Action Businesses.

## Industry Specific Regulations

You must comply with all local, state and federal laws that apply to your Franchised Business operations, including health, sanitation, no smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and may affect your choice of venue for your Network In Action Group meetings. There may be other laws, rules or regulations which affect your Franchised Business, including laws concerning the protection of customers' credit card numbers and financial data, minimum wage and labor laws, as well as The Affordable Care Act.

We are not obligated to provide you with guidance about these laws and regulations and you are solely responsible for knowing about and complying with all laws and regulations applicable to your Franchised Business. We recommend that you consult with your attorney for an understanding of these laws.

The United States enacted the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (the "USA Patriot Act"). We are required to comply with the USA Patriot Act. To help us comply with the USA Patriot Act, we ask you in the Franchise Agreement to confirm for us that neither you nor your directors, officers, shareholders, partners, members, employees, or agents are suspected terrorists or persons associated with suspected terrorists or are under investigation by the U.S. government for criminal activity. You may review the Patriot Act and related regulations at: http://www.treasury.gov/offices/enforcement/ofac/sdn.

# ITEM 2
# BUSINESS EXPERIENCE

Scott Talley: Franchise Director

Mr. Talley has been our Franchise Director since our inception in August 2015.

Gerarda Sanchez: Manager

Ms. Sanchez has been our Manager since our inception in August 2015.

## ITEM 3
## LITIGATION

No litigation is required to be disclosed in this Item.

## ITEM 4
## BANKRUPTCY

No bankruptcy is required to be disclosed in this Item

## ITEM 5
## INITIAL FEES

**Franchise Agreement**

When you sign the Franchise Agreement you must pay us an initial franchise fee of $25,000 for the right to establish a Network In Action Business (the "**Franchise Fee**"). The Franchise Fee will be fully earned when paid and non-refundable in consideration of administrative and other expenses we incur in entering into the Franchise Agreement and for our lost or deferred opportunities to enter into the Franchise Agreement with others.

Under the Franchise Agreement, we will grant you the right (and you will accept the obligation) to establish a Network In Action Business operating a total of three (3) Network In Action Groups established in accordance with a Development Schedule within an agreed-upon Territory. You must pay the Franchise Fee in full at the time you sign the Franchise Agreement. Franchise Fee is currently uniform for all franchisees.

**Other Initial Fees**

Aside from the Franchise Fee, currently there are no additional fees or items required to be purchased from us or our affiliates prior to opening.

**ITEM 6**
**OTHER FEES**

| **Type of Fee** (Note 1) | **Amount** | **Date Due** | **Remarks** |
|---|---|---|---|
| Royalty ("**Royalty Fee**") | 15% of Gross Revenues, however, each bimonthly Royalty Fee payment is subject to a minimum payment amount equal to: (i) $350 beginning 4 months after the Franchise Agreement has been signed, then increasing to $650 beginning 8 months after the Franchise Agreement has been signed, then increasing to $900 beginning 12 months after the Franchise Agreement has been signed and thereafter (the "**Minimum Royalty Fee**"). | Bimonthly (twice per month) on the 1st and 15th day of each month based on the Gross Revenues for the preceding bimonthly period. (Note 2). | "**Gross Revenues**" means all revenue related to the Franchised Business (excluding sales taxes collected and remitted to the proper authorities). Royalty Fee payments (or Minimum Royalty Fee payments) due on the 1st day of each month will be based upon Gross Revenue for the bimonthly period beginning the 15th day of the preceding month through the close of the preceding month, and Royalty Fee payments due on the 15th day of each month will be based upon Gross Revenue for the bimonthly period beginning the 1st day of such month to the 14th day of such month. We reserve the right to modify the bimonthly payment periods at any time. In order to clarify, for each bimonthly period, you must pay the greater of 15% of Gross Revenues or the Minimum Royalty Fee. |
| Membership Screening Fee | The greater of $100 for each prospective member who has applied for membership into your Network In Action Groups or 50% of the Membership Initiation Fee charged by you to each prospective member who has applied for membership into your Network In Action Groups | Within 2 business days from the entry of each member into your Network In Action Groups. | "**Membership Initiation Fee**" shall mean the total amount charged by you to each prospective member who has applied for membership into your Network In Action Groups. |

| Type of Fee (Note 1) | Amount | Date Due | Remarks |
|---|---|---|---|
| Marketing Automation Program Fee | $24.95 per month. | On the first day of each month | You may, at your option, subscribed to our "**Marketing Automation Program**." The Marketing Automation Program, administered in our sole discretion, is designed to retain and increase Network This fee is subject to change in our discretion, and is non-refundable. If you opt into this program, you must do so for a minimum of 12 months. |
| Additional on-site training and assistance | Our per-diem charge (which is currently $500, plus our out-of-pocket costs), per trainer. | Upon Demand. | If we require, in our sole discretion, that you receive additional training from us at your Franchised Business or if you ask that we (a) provide additional on-site training, or (b) conduct at your Franchised Business any training session that we offer at our headquarters, and we do so, then you will have to pay our then-current per-diem charge for extra training. See Item 11 under the heading "Training." |
| Fees related to Computer System and Software | None at this time. | | You will be granted access to our proprietary intranet and web based applications for the management of your Franchised Business. We reserve the right to implement fees related to our proprietary intranet and web based applications, which may require up-front fees, ongoing fees and maintenance fees. See Item 11 under the heading "Computer System" |

| Type of Fee (Note 1) | Amount | Date Due | Remarks |
|---|---|---|---|
| Transfer Fee | $7,500 | At time of transfer. | Payable only if you make a transfer (as defined in the Franchise Agreement), which includes any sale or assignment of your franchise or your company. We do not impose a fee for a transfer to a corporation you form for the convenience of ownership. |
| Renewal Fee | An amount equal to 25% of our then-current initial franchise fee. | Before renewal. | The Franchise Agreement may be renewed after an initial term of 10 years. You will only need to pay this fee if you renew the Franchise Agreement. |
| Late Fee and Interest on Overdue Payments | A late fee equal to 5% of your overdue amount, and interest equal to 1.5% per month (but not more than any maximum rate set by law). | At time the Overdue Payments are paid. | Only due if you don't pay us the amounts you owe on time. Interest will be charged only on overdue amounts and will start to accrue on the date when the payment was originally due. |
| Prohibited Product or Service Fine | $250 per day. | If incurred | Payable if you sell or utilizes a product or performs any services that we have not prescribed, approved or authorized, or conduct your Network In Action Group meetings in violation of our standards, or communicate in any way with your members in violation of the Franchise Agreement or the Manuals |
| Yearly Convention, Summit or Retreat Fee and Fine | $1,000 penalty, if you fail to attend; and an annual fee toward the costs determined by the Franchisee Advisory Council. | If incurred | This fee is payable each year. This fine is payable in the event you fail to attend a mandatory annual convention or retreat, as determined by us. |
| Audit Expenses | All costs and expenses associated with the audit, reasonable accounting and legal costs. | Upon Demand. | Payable only if we audit and the audit discloses an understatement in any statement or report of 3% or more. (You will also have to pay the monies owed and interest on the underpayment (see "interest" above).) |

| Type of Fee (Note 1) | Amount | Date Due | Remarks |
|---|---|---|---|
| Operational Deficiency Expenses | Fees not to exceed our actual costs associated with correcting any operational deficiency. | Upon Demand. | We have the right, but not the obligation, to correct any operational deficiencies which we may discover as a result of inspections of the Franchised Business or member surveys, which may be susceptible to correction by us, and to charge you fees not to exceed our actual costs of doing so. |
| Insurance Procurement | Fees not to exceed our actual costs associated with obtaining insurance coverage for you, if you fail to do so. | Upon Demand. | We have the right (but not obligation) to buy insurance coverage if you do not do so, and to charge you fees not to exceed our actual costs of doing so. |
| Costs and Attorneys' Fees | Will vary under circumstances. | Upon Demand. | Due only if you are in default under the Franchise Agreement, in which case you must reimburse us for the expenses we incur (including reasonable attorneys' fees) as a result of your default and to enforce and terminate the Franchise Agreement. |
| Indemnification | Will vary under circumstances. | Upon Demand. | You must reimburse us if we are sued or held liable for claims arising from your operation of the Franchised Business, as well as your use of the Proprietary Marks in a manner inconsistent with our instructions, and any transfers or securities offerings that you propose, subject to state law. |

| Type of Fee (Note 1) | Amount | Date Due | Remarks |
|---|---|---|---|
| Liquidated Damages | Will vary under circumstances. | Termination effective date. | If we terminate your Franchise Agreement due to your default, you must pay us liquidated damages on the termination effective date, in a lump sum amount determined as follows: the Minimum Royalty Fee multiplied by the number of remaining bimonthly periods in the then-current term of the Franchise Agreement. If any applicable law or regulation of a competent governmental authority having jurisdiction over the Franchise Agreement limits your ability to pay these liquidated damages to us, you will be liable to us for any and all damages which we incur as a result of your default under the Franchise Agreement. This amount is in addition to your obligations to pay other amounts due to us under the Franchise Agreement up to the date of termination. |

**Explanatory Notes to Item 6 Table:**

1. Except as otherwise noted in this Item 6, we impose and collect all of the fees described above. None of these fees are refundable. All of the fees described above in this Item 6 are uniform for all franchisees, although, we reserve the right to reduce the Royalty Fee, in certain circumstances, in our sole discretion.

2. You must pay your royalties by EFT (electronic funds transfer). To make arrangements for EFT, you must sign our current form of Authorization Agreement for Prearranged Payments (Direct Debits), which is an Exhibit to the Franchise Agreement (see Item 22).

   Each bimonthly (twice per month) Royalty Fee payment is subject to the Minimum Royalty Fee equal to: $350 beginning 4 months after the Franchise Agreement has been signed, then increasing to $650 beginning 8 months after the Franchise Agreement has been signed, then increasing to $900 beginning 12 months after the Franchise Agreement has been signed and thereafter.

## ITEM 7
## ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

| Type of Expenditure (Note 1) | Amount | Method of Payment | When Due | To Whom Payment is to be Made |
|---|---|---|---|---|
| Initial Franchise Fee (Note 2) | $25,000 | Lump sum | When you sign the Franchise Agreement | Us |
| Business Licenses & Permits (Note 3) | $10 to $50 | As arranged | As incurred | Local and other state government agencies |
| Computer and Related Technology (Note 4) | $1,000 to $1,500 | As arranged | As incurred | Approved Suppliers |
| Other Professional Fees (Note 5) | $1,000 to $2,000 | As arranged | As arranged | Various service providers |
| Insurance Deposit (Note 6) | $300 to $450 | As arranged | As arranged | Insurance providers |
| Initial Inventory of Equipment, Supplies and Marketing Materials (Note 7) | $400 to $700 | As arranged | As incurred | Approved Suppliers |
| Training Expenses (Note 8) | $0 to $2,000 | As arranged | No Payment Required | Approved Suppliers and your employees |
| Additional Funds (for the initial 3 months of operations) (Note 9) | $0 to $1,000 | As arranged | As needed | Approved Suppliers, employees and other creditors |
| **TOTAL ESTIMATED INITIAL INVESTMENT** | $27,710 to $32,700 | | | |

**Explanatory Notes to Item 7 Table:**

1. **General** – We do not impose or collect the fees or costs described in this Item 7, except for the items noted with "Us" in the column labeled "To Whom Paid." Except as described below, all fees and amounts that you must pay to us are non-refundable. For any amounts paid to third parties, the availability and conditions under which you may obtain refunds will depend on the terms offered by those third party suppliers. We may provide financing for a portion of the Franchise Fee. See Item 10 for additional details. Our estimates in this Item 7 are based on our current prototype for Network In Action

Businesses, our management team's experience in establishing and operating Network In Action Groups, and our knowledge of business practices and conditions in the general marketplace. They are, however, only estimates and by their nature may change from time to time and may vary from location to location. The figures do not provide for your cash needs to cover financing incurred by you or your other expenses. You should not plan to draw income from the operation during the start-up and developmental stage of your business, the actual duration of which will vary materially from location to location and cannot be predicted by us for your Franchised Business (and which may extend for longer than the three month "initial period" described in Note 10 of this Item 7). You must have additional sums available, whether in cash or through a bank line of credit, or have other assets which you may liquidate or against which you may borrow, to cover other expenses and any operating losses you may sustain, whether during your start-up and development stage, or beyond. The amount of necessary reserves will vary greatly from franchisee to franchisee and will depend upon many factors, including the rate of growth and success of your Franchised Business, which will in turn depend upon factors such as the demographics and economic conditions in the area in which your Franchised Business is located, the presence of other Network In Action Businesses, public awareness of our business, your ability to operate efficiently and in conformance with the Network In Action System, and competition. Because the exact amount of reserves will vary and cannot be meaningfully estimated, we urge you to carefully review these figures and the figures you obtain from your own inquiries with an experienced business advisor, such as an accountant or consultant, or a legal advisor, before making any decision to purchase a Network In Action Business franchise or any other franchised business.

2. **Franchise Fee** – When you sign the Franchise Agreement you must pay us a Franchise Fee of $25,000. The Franchise Fee is uniform for all franchisees. The Franchise Fee is non-refundable. See Item 5 for further details regarding the Franchise Fee. We may provide financing for a portion of the Franchise Fee. See Item 10 for additional details.

3. **Business Licenses and Permits** – These are general estimates for permits and licensing that may be required by local and state governments. Local, municipal, county and state regulations vary on the licenses and permits you will need to operate a Network In Action Business. You will pay these fees to governmental authorities before starting business. You are solely responsible for obtaining all appropriate licenses and permits.

4 **Computer System and Related Technology:** You must purchase or lease specified computers and related hardware, along with required third party software necessary to operate the Franchised Business. You may use computer hardware that you already own, if such hardware meets with our approval. The estimate includes the costs for the items that we currently require. We may periodically require franchisees to update their computer systems to our then-current standards. See Item 11 under the heading "Computer System" for additional information.

5. **Professional Fees** – The estimate assumes that you will employ an attorney, accountant, and other consultants to help you evaluate our franchise offering and your establishment of a new business, and in obtaining all required permits and licenses to establish and operate the Franchised Business. In addition, you may also form a corporation or other entity to operate the business. Your actual costs may vary substantially, for example, depending on the degree to which you rely upon your advisors and upon the licensing requirements that may apply to your Franchised Business.

6. **Insurance Deposit** – The estimate represents an initial deposit for the coverage necessary to operate the business and represents approximately three months of coverage. Insurance costs will vary depending upon factors such as the size and location of the Franchised Business. Your obligations with respect to insurance are more fully described in Item 8.

7. **Initial Inventory of Equipment, Supplies and Marketing Materials** – You must purchase an initial inventory of certain equipment, supplies and marketing materials including (without limitation) business cards, name tags, brochures and other office supplies, in addition to other items.

8. **Training Expenses** – You will incur expenses associated with our training program. For this training program, we provide instructors and instructional materials at no charge, but you must pay for transportation, lodging and meals. As to the amounts shown, the low end of the estimate assumes that you complete your training through our online modules, and the high end assumes that other travel will be needed, and includes travel expenses, although these may vary significantly depending upon factors such as the distance traveled and mode of transportation. Your costs will also vary depending on the nature and style of accommodations. See Item 11 under the heading "Training" for additional details regarding the program.

9. **Additional Funds** – You may need additional capital to support on-going expenses to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount shown in the chart above will be sufficient to cover on-going expenses for the start-up phase or initial period of the business, which we calculate to be three months. Our estimates in this Item 7 are based on our current prototype for Network In Action Businesses, our management team's experience in establishing and operating Network In Action Groups, and our knowledge of business practices and conditions in the general marketplace. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. The disclosure laws require us to include this estimate of all costs and expenses to operate your franchise during the "initial period" of your business, which is defined as three months or a longer period if "reasonable for the industry." We are not aware of any established longer "reasonable period" for our industry, so our disclosures cover a three month period.

## ITEM 8
## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To insure that the highest degree of quality and service is maintained, you must operate the Franchised Business in strict conformity with the methods, standards, and specifications as we may from time to time prescribe in the Manuals or otherwise in writing.

### Products and Other Purchases

General

All products and services sold or offered for sale at the Franchised Business must meet our then-current standards and specifications and be approved by us. You must purchase and use all equipment, signs, supplies, services, products, marketing materials, promotional programs, computers and communications hardware and software, as we may reasonably require in the Manuals or other written materials (collectively, "**Business Items**"). You must purchase all additional products and Business Items solely from manufacturers, distributors, providers and suppliers who demonstrate to our continuing reasonable satisfaction the ability to meet our standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manuals or otherwise in writing. You may not purchase, offer or sell any products or services, or use at your Franchised Business any products or Business Items, that we have not previously approved as meeting our standards and specifications. We and our affiliates have the right to be an approved supplier of any items, although we and our affiliates are not currently approved suppliers. We may disapprove of products/services and suppliers based on our desire to consolidate Network In Action System purchases through fewer suppliers. We may designate a single supplier, which may be us or one of our affiliates, for

any Business Item, in which event you must purchase such items exclusively from the designated supplier.

If you desire to purchase unapproved products or Business Items from other than approved suppliers, you must submit to us a written request to approve the proposed product or supplier, together with such evidence of conformity with our specifications as we reasonably require. We will use our best efforts to complete our review within six months. If we do not give our written approval within this six month period, we will be deemed to have disapproved the proposed new supplier. We may, from time to time, revoke our approval of particular products, Business Items or suppliers if we determine, in our sole discretion, that the products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease to sell any disapproved product and/or cease to purchase from any disapproved supplier.

Our specifications either: (1) are contained in the Manuals; or (2) will be provided to you upon request. We, however, have no obligation to make available to prospective suppliers the standards and specifications that we deem confidential. When approving suppliers, we consider whether they demonstrate the ability to meet our standards and specification and whether they possess adequate quality controls and capacity to supply your needs promptly and reliably. However, our approval may be withheld for any reason.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the Network In Action Businesses in our Network In Action System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products, equipment and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would not be in the best interests of the Network In Action System or the franchised network of Network In Action Businesses. There are currently no purchasing or distribution cooperatives in our Network In Action System.

We and/or our affiliates may receive payments or other compensation from suppliers on account of the suppliers' dealings with us, you, or other Network In Action Businesses in the Network In Action System. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees. During our last fiscal year, neither we nor our affiliates derived any revenues from the required purchases and leases of products and services by franchisees.

We estimate that your purchases from approved suppliers will represent approximately 75% to 100% of your total purchases in establishing the Franchised Business, and approximately 75% to 100% in the continuing operation of the Franchised Business. We also estimate that your purchases that must conform to our specifications will represent approximately 75% to 100% of your total purchases in establishing the Franchised Business, and approximately 75% to 100% of your total purchases in the continuing operation of the Franchised Business.

We provide no material benefits to franchisees based on their use of suppliers or sources we approve. No officer of ours owns an interest any approved supplier.

**Credit Cards**

We reserve the right to require that you maintain arrangements with Visa, American Express, MasterCard and additional or replacement credit card and debit card issuers or sponsors nominated by us

from time to time, in order that the Franchised Business may accept credit cards and debit cards, and other methods of payment. You must utilize and purchase all credit/debit card merchant services from the payment system or financial institution supplier approved and designated by us. Whenever we designate a new payment system or financial institution supplier for credit/debit card merchant services for the System, you must adopt this change promptly. We reserve the right to require that you only accept payment through the use of our approved payment system or financial institution supplier for credit/debit card merchant services. You must also agree to grant us unimpeded access to any and all reports or information generated by the payment system or financial institution supplier for credit/debit card merchant services.

**Computer System**

You will need to acquire (either by purchase or lease) the computer hardware and software system that we may specify from time to time. You may use computer hardware that you already own, if such hardware meets with our approval. See Item 11 under the heading "Computer System" for more information.

**Insurance**

You also must obtain, before beginning any operations under the Franchise Agreement, and must maintain in full force and effect at all times during the term of the Franchise Agreement, at your own expense, an insurance policy or policies protecting you, us, our affiliates, and our respective officers, directors, partners, and employees. The policies must provide protection against any demand or claim relating to personal and bodily injury, death, or property damage, or any liability arising from your operation of the Franchised Business. Required insurance will include, but not be limited to, comprehensive general liability coverage, including employment practices coverage; personal injury coverage; automobile coverage, including underinsured or uninsured coverage. All policies must be written by a responsible carrier or carriers whom we determine to be acceptable, must name us and our affiliates as additional insureds, and must provide at least the types and minimum amounts of coverage specified in the Franchise Agreement or otherwise in the Manuals. Additionally, we may designate one or more insurance companies as the insurance carrier(s) for Network In Action Businesses. If we do so, we may require that you obtain your insurance through the designated carrier(s).

Presently we require you to maintain comprehensive general liability insurance with limits of at least $1,000,000 per occurrence, and $1,000,000 general aggregate, and additional insurance coverage as we may otherwise require.

We do not derive revenue as a result of our franchisees purchasing insurance coverage from designated carriers. We provide no material benefits to franchisees based on their use of an approved insurance carrier.

## 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(s) in Franchise Agreement | Item in Disclosure Document |
|---|---|---|
| (a) Site selection and acquisition / lease | Not Applicable | Not Applicable |
| (b) Pre-opening purchases/leases | Not Applicable | Not Applicable |
| (c) Site development and other pre-opening requirements | Section 5 | 7, 8 and 11 |
| (d) Initial and ongoing training | Section 6 | 6, 7 and 11 |
| (e) Opening | Section 5 | 7, 8 and 11 |
| (f) Fees | Sections 4 and 13 | 5 and 6 |
| (g) Compliance with standards and policies/Operating Manual | Sections 8, 10, and 13 | 8, 11, and 14 |
| (h) Trademarks and proprietary information | Sections 8.8, 8.11, 9, and 10.2 | 13 and 14 |
| (i) Restrictions on products/services offered | Sections 1.3, 8.6, 8.7 and 8.8 | 5, 8 and 16 |
| (j) Warranty and customer service requirements | Sections 8.9 and 23 | 16 |
| (k) Territorial development and sales quotas | Section 1 | 12 |
| (l) On-going product/service purchases | Section 8 | 8 |
| (m) Maintenance, appearance and remodeling requirements | Not Applicable | Not Applicable |
| (n) Insurance | Section 14 | 7 and 8 |
| (o) Advertising | Section 13 | 6, 7, 8, and 11 |
| (p) Indemnification | Section 21.4 | 6 |
| (q) Owner's participation / management and staffing | Sections 8.3 and 8.4 | 15 |
| (r) Records/reports | Section 12 | 6 |
| (s) Inspections/audits | Section 8.10 | 6 and 11 |
| (t) Transfer | Section 15 | 17 |
| (u) Renewal | Section 2.2 | 17 |

| Obligation | Section(s) in Franchise Agreement | Item in Disclosure Document |
|---|---|---|
| (v) Post-termination obligations | Sections 17 and 18.3 | 17 |
| (w) Non-competition covenants | Section 18 | 17 |
| (x) Dispute resolution | Section 27 | 17 |
| (x) Liquidated Damages | Section 17.1 | 6 |

## ITEM 10
## FINANCING

**Franchise Financing**

Whether we will extend Financing, as well as the amount of financing that we choose to extend, will vary depending upon the availability of funds, your creditworthiness and the market conditions in your area. If we provide financing to you, you must submit monthly financial information to us, such as an income statement, balance sheet, and supporting documents, as we periodically specify and in the formats we specify.

**Financing Terms**

If we choose to extend financing to you, it will be limited to 90% of your Franchise Fee. We will act as your lender and you will be required to sign a promissory note. The period of repayment will be a maximum of 12 months. We do not require a security interest. The interest rate for all financing is 3.5% annually. There are no other financing charges. You or, in the case of an entity, your principals, must personally guarantee the debt. Each person liable on the promissory note must waive the benefit of the homestead exemption and of all other exemptions available to him or her and also waive presentment, demand, protest, notice of dishonor and all other notices of every kind and nature which he or she would otherwise be entitled to under the applicable law. If you default on amounts owed, we can accelerate the obligation to pay the entire amount due, seek our collection costs including attorneys' fees from you, and terminate your Franchise Agreement. The promissory note you will be required to sign is included as Exhibit J to this Disclosure Document. Although it is not our current practice or intent to sell, assign or discount the promissory note to a third party, we reserve the right to do so. In the event we sell, assign or discount the promissory note to a third party, you may lose all of your defenses against us, as a result. For purposes of California, the interest rate for financing will not exceed 10% annually.

We do not arrange for financing from other sources. We do not guarantee your notes, leases or other obligations.

## 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 Obligations**

Under the Franchise Agreement. Before you open your Franchised Business:

1. We will provide you with our standard initial training program for up to 4 trainees. (Training is also discussed below in this Item 11 under the subheading "Training.") We will be responsible for the cost of instruction and materials, subject to the terms stated in the Franchise Agreement. (Franchise Agreement, Sections 3.1, 6)

2. We will lend you, for the duration of the Franchise Agreement, copies of the Manual (which is more fully described in Item 14 below). (Franchise Agreement, Section 3.2)

3. We may establish and maintain a website and intranet in connection with the Network In Action System (collectively, the "**Network In Action Technology**"). We will direct all aspects of the Network In Action Technology, in our sole discretion. We may modify or discontinue the Network In Action Technology at any time. (Franchise Agreement, Section 3.3)

4. We will conduct prospective member background checks and personality/compatibility screening for all prospective members who apply for membership to each of your Network In Action Groups, as we determines at the time(s) and in the manner we determine. (Franchise Agreement, Section 3.4)

5. We will review and shall have the right to approve or disapprove all advertising, marketing and promotional materials and efforts that you propose to use. (Franchise Agreement, Section 3.5)

6. We will provide you a list of our then-current designated or approved suppliers. (Franchise Agreement, Section 3.8)

**Continuing Obligations**

We are required by the Franchise Agreement to provide certain assistance and service to you. During the operation of your Franchised Business:

1. We may conduct, as we deem advisable, periodic inspections of the Franchised Business. (Franchise Agreement, Sections 3.7, 8.12)

2. We will make available additional training programs, as we deem appropriate. (Franchise Agreement, Sections 6.3, 6.6)

3. We may maintain the Network In Action Technology. We will direct all aspects of the Network In Action Technology, in our sole discretion. We may modify or discontinue the Network In Action Technology at any time. (Franchise Agreement, Section 3.3)

4. We may provide periodic advice or offer guidance to you in the marketing, management, and operation of the Franchised Business, as we determine. (Franchise Agreement, Section 3.6)

5. We will provide Network In Action Group meeting agendas and content. You may not deviate from the content we provide. (Franchise Agreement, Section 8.8)

6. We will provide an e-mail and text messaging platform for e-mailing and texting your Network In Action Group members. You must deliver a minimum of 1 e-mail message every Friday and 1 text message every Tuesday using the Network In Action System platform to each member of your Network In Action Groups. You may not deviate from using the Network In Action System platform we provide. We reserve the right to alter email and text messaging policies and procedures, which shall be set forth in the Manuals or otherwise in writing. (Franchise Agreement, Section 8.7)

7. We will review and shall have the right to approve or disapprove all advertising, marketing and promotional materials and efforts that you propose to use. (Franchise Agreement, Section 3.5)

8. We will conduct prospective member background checks and personality/compatibility screening for all prospective members who apply for membership to each of your Network In Action Groups, as we determines at the time(s) and in the manner we determine. (Franchise Agreement, Section 3.4)

The Franchise Agreement does not require us to provide any other assistance or services to you during the operation of the Franchised Business. We do not provide you with any assistance regarding equipment, signs, fixtures, opening inventory, and/or supplies.

**Venue Selection**

You are not required to establish an office or to lease office space for the operation of your Network In Action Business.

Before you begin operating your Network In Action Business and before you establish your first Network In Action Group, you must obtain use of a venue acceptable to us and suitable to host your Network in Action Group meetings within the Territory (the "**Host Venue**"). The Host Venue is typically a private dining room at a suitable restaurant located within the Territory. You must submit to us any information we request about a proposed Host Venue for our prior written approval in the form we specify. If a Host Venue location meets our standards, we will not unreasonably withhold our approval. Any venue not approved in writing by us will be considered disapproved. If you wish to move your Network In Action Group meetings to a new Host Venue, the new venue will be subject to our prior written approval.

You may only host virtual Network In Action Group meetings with our prior written consent and only in accordance with such specific programs, policies, terms and conditions that we may from time to time establish.

**Opening of Franchised Business**

We estimate that the time period between the signing of the Franchise Agreement and the start of operations will be approximately one (1) to six (6) months. The factors that may affect this time period are your ability to obtain financing, scheduling of initial training, and obtaining a suitable Host Venue. You must establish your first Network In Action Group in the Territory within 90 days following the signing of your Franchise Agreement. You must establish your second Network In Action Group in the Territory the earlier of 180 days following the establishment of your first Network In Action Group or when membership in your first Network In Action Group reaches 20 members. If applicable, you must establish your third Network In Action Group in the Territory the earlier of 180 days following the establishment of your second Network In Action Group or when membership in your second Network In Action Group reaches 20 members. In the event you fail to meet this Development Schedule, we may, in

our sole and absolute discretion, (i) reduce the size of the Territory, or (ii) refuse to extend the term of the Franchise Agreement. In no event will you receive a refund of any fees paid to us.

**Computer System**

You will need to acquire (either by purchase or lease) the computer hardware and software system (a "**Computer System**") that we may specify from time to time. (Franchise Agreement, Section 7.1.) The term Computer System refers to the hardware and software for the management and operation of the Franchised Business and for reporting and sharing information with us, and communication systems (including modems, cables, etc.). Our requirements may fluctuate as does the price and availability of new computer technology. As of the date of this Disclosure Document, our requirements are described below. We have not approved any hardware or software in place of these systems and programs, although we reserve the right to do so in the future.

Currently, we require that you purchase and utilize in the Franchised Business the following Computer System components:

- 1 laptop computer with Wi-Fi capability, compatible with specifications provided in the Manuals or otherwise in writing, including Windows operating software, along with Word and Excel applications; or
- 1 Tablet computer with Wi-Fi capability, compatible with specifications provided in the Manuals or otherwise in writing; and
- 1 smart phone.

The current cost for purchasing the Computer System is approximately $1,000 to $1,500. You may use computer hardware that you already own, if such hardware meets with our approval. The hardware and software that we describe above is not proprietary to us, but is proprietary property to the vendor and you may be required to sign a license or maintenance agreement in order to obtain and use the proprietary program.

You must obtain and maintain a Zoom account for video conferencing and other purposes at a cost of approximately $25 per month, which cost is subject to change.

You will also be granted access to our proprietary intranet and web based applications for the management of your Franchised Business. We may modify or discontinue the use of any of these applications. We claim a copyright in our proprietary applications. We reserve the right to implement fees related to our proprietary intranet and web based applications, which may require up-front and maintenance fees. We currently do not require that you maintain contracts for hardware and software maintenance, support and upgrade services for the communications and information systems. You will be required to maintain a high-speed internet connection at all times (i.e., T1 line, DSL, cable modem).

We reserve the right to change our specifications in the future to take advantage of technological advances or to adapt the system to meet operational needs and changes. We may require you to bring any computer hardware and software, related peripheral equipment, communications systems into conformity with our then-current standards for new Network In Action Businesses. Other than providing you with information regarding our specifications and requirements for the Computer System, we are not required to assist you in obtaining hardware, software or related services. We will endeavor to keep these changes infrequent and reasonable in cost, but the Franchise Agreement does not impose a limit as to the number or cost of such changes to the Computer System.

You must provide us with independent access to your Computer System in the form and manner that we may request, provided we will only access information related to your Network In Action Business. We reserve the right to download sales, other data and communications from your Computer System. There is no contractual limitation on our right to receive this information. We will exclusively own all data provided by you, downloaded from your Computer System, and otherwise collected from your Computer System. We will have the right to use such data in any manner that we deem appropriate without compensation to you. You will face certain risks associated with the lack of contractual limitations on our access to your data, including risk of violation of applicable privacy laws or disclosure of your sensitive client/customer, employee, or company information resulting from cyber security events and/or data breaches.

We will also have the right to establish a website or other electronic system providing private and secure communications (*e.g.*, an extranet or intranet) between us, our franchisees, and other persons and entities that we determine appropriate, which requires you to have high speed internet access at all times. If we require, you must establish and maintain access to the extranet or intranet in the manner we designate. Additionally, we may from time to time prepare agreements and policies concerning the use of the intranet that you must acknowledge and/or sign. (Franchise Agreement, Section 7.5)

**Advertising**

We will have the right to review and approval all marketing plans and promotional materials that you propose to use. You may not implement any marketing plan or use any promotional material without our prior written consent.

We have not established an advertising fund for the franchise system. You are not required to make any contributions to a system advertising fund.

We do not have any advertising cooperatives and have no plans to form such cooperatives in the immediate future. You are not required to participate in any advertising cooperative.

**Advisory Council**

We may, in our discretion, form an advisory council made up of franchisees and franchisor representatives. Franchisees will be chosen to participate in the council based on, in part, performance and length of time in the Network In Action System. The advisory council will act in an advisory capacity only and will not have decision making authority. Once an advisory council has been formed we reserve the right to change or dissolve it at any time.

**Websites**

Websites (as defined below) are considered as "advertising" under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used (as described above). As used in the Franchise Agreement, the term "**Website**" means an interactive electronic document, contained in a network of computers linked by communications software, that you operate or authorize others to operate and that refers to the Franchised Business, Proprietary Marks, us, or the Network In Action System. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, the Franchise Agreement provides that you may not establish a Website, nor may you offer, promote, or sell any products or services, or make any use of the Proprietary Marks, through the Internet without our prior written approval. As a condition to granting any such consent, we will have the right to establish any requirement that we deem appropriate, including

among other things a requirement that the Franchised Businesses' only presence on the Internet will be through one or more web pages that we establish on our Website.

**Training**

Before your Franchised Business opens, you or your Designated Principal, all of your Network In Action Group leaders known as "**Community Builders**" and additional persons as we may require (not to exceed a total of 4 persons) must complete to our satisfaction all of our initial training requirements. We will bear the cost of all training instruction and required materials for the initial training program for you or your Designated Principal, Community Builders and other attendees, except as described below regarding additional training and assistance that we provide at your Franchised Business. You will bear all other expenses incurred in attending training, such as the costs of transportation, lodging and meals (see Items 6 and 7 of this Disclosure Document).

If you (or the Designated Principal) or a Community Builder ceases active employment in the Franchised Business, then you must enroll a qualified replacement (who must be reasonably acceptable to us) in our initial training program promptly following cessation of employment of said individual. The replacement Designated Principal and a replacement Community Builder shall complete the initial training program as soon as is practicable, but in no event later than any time periods we specify from time to time in the Manuals and otherwise in writing.

If you request additional supervision or supplemental training at a later time, we may charge you our then-current per diem training fee, which is currently $500, for the additional training provided; and you will also have to reimburse us for all of our costs and expenses associated with the additional training, including lodging, food and travel expenses for each trainer. Additionally, if we determine, in our sole discretion, that you are in need of additional supervision or supplemental training, we may require that you receive such training from us at the Franchised Business, in which case you agree to also pay our then-current per diem training fee for the additional training provided; and you will also have to reimburse us for all out of pocket costs and expenses associated with the additional training, including lodging, food and travel expenses for each trainer. We may require that you complete refresher and additional training programs, and we may offer the programs on a voluntary basis. If you request that we conduct any additional training sessions (required or voluntary) at your Franchised Business rather than at our headquarters or Network In Action Business(s), and we do so, then we may charge you our then-current per diem training fee for that training we provide, and you will also have to reimburse us for all of our costs and expenses described above. (See Item 6 regarding the costs.)

We may hold mandatory annual conventions, at which we may provide refresher training. You must attend these conventions. You will be responsible for the costs of transportation, lodging and meals when attending these conventions. If you fail to attend a mandatory annual convention, as determined by us, you must pay a fine of $1,000 for each such absence, as included in Item 6 of this Disclosure Document.

The subjects covered in the initial training program are described below. Initial training programs are scheduled throughout the year on an as-needed basis as new franchisees join the system. We have the right to change the duration and content of our initial training program. The initial training, as described above, is currently conducted at our headquarters in Houston, Texas or on-line through our web based applications. You must complete the initial training program at least one day prior to starting operations of the Franchised Business.

**TRAINING PROGRAM**

| Subject | Hours of Classroom Training | Hours of On-The-Job Training | Location |
|---|---|---|---|
| New Member Sales | 20 | | Our headquarters in Houston, Texas or on-line through our web based applications. |
| Marketing | 2 | | Our headquarters in Houston, Texas or on-line through our web based applications. |
| Technology | 8 | | Our headquarters in Houston, Texas or on-line through our web based applications. |
| Monthly Meetings | 8 | | Our headquarters in Houston, Texas or on-line through our web based applications. |

Currently, our training staff is run by Scott Talley, whose biographical information is contained in Item 2 of this Disclosure Document. Mr. Talley has over 4 years of experience with us and over 4 years of experience in the industry. We will use additional instructors on our training staff to conduct our training programs. Our additional instructors will have a minimum of 1 year of experience with strong abilities in training and development.

**Manuals**

You will be required to comply with all of the specifications, procedures, and standards set out in our Manuals, which Manuals are subject to change in our discretion. The table of contents of our Manuals is provided in Exhibit H. Our Manuals contain a total of 190 pages.

## ITEM 12
## TERRITORY

The following describes how Territories are determined, and the rights that you and we have under the Franchise Agreement.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Your Franchise Agreement will specify a protected Territory. The size and scope of the Territory will be contained in the Franchise Agreement and will be determined based upon various factors such as population densities and the number of businesses in the area.

You must establish your first Network In Action Group in the Territory within 90 days following the signing of your Franchise Agreement. If applicable, you must establish your second Network In

Action Group in the Territory the earlier of 180 days following the establishment of your first Network In Action Group or when membership in your first Network In Action Group reaches 20 members. If applicable, you must establish your third Network In Action Group in the Territory the earlier of 180 days following the establishment of your second Network In Action Group or when membership in your second Network In Action Group reaches 20 members. In the event you fail to meet this Development Schedule, we may, in our sole and absolute discretion, (i) reduce the size of the Territory, or (ii) refuse to extend the term of the Franchise Agreement. In no event will you receive a refund of any fees paid to us.

During the term of the Franchise Agreement, we will not establish or operate, nor license any other person to establish or operate, a Network In Action Business in the Territory, except as may be permitted under the Franchise Agreement and those exceptions are described below. Your territorial protection is not dependent upon achievement of a certain sales volume, market penetration, or other factors, other than compliance with the Franchise Agreement. You have no options, rights of first refusal or similar rights to acquire additional franchises.

You will be limited to establishing and operating your Network In Action Groups within the Territory, however, you (i) will be permitted to recruit group members that reside, work or are located within or outside your Territory (and perhaps in the territory of another Network In Action Business) and (ii) may engage in approved marketing and advertising efforts, such as Internet, social media or other mass media marketing efforts, outside of the Territory so long as such activities are designed to increase membership in your Network In Action Groups within the Territory. You may not relocate your Franchised Business from your Territory. In the event you wish to relocate your Franchised Business within your Territory, you must first obtain our prior written consent. We may approve the relocation of your Network In Action Business under the condition that you live and work within a reasonable distance of the proposed new territory and the territory will support a Network In Action Business based upon various factors such as population densities and the number of businesses in the area.

Neither we nor our affiliate has established, or presently intends to establish, other franchised or company-owned businesses which sell or provide similar products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

Our Reserved Rights under the Franchise Agreement

Under the Franchise Agreement, we and our affiliates retain all the rights that we do not specifically grant to you. Among the rights that we retain are the following (the following list is only for purposes of illustration and is not meant to limit our rights):

(1) We may own, acquire, establish, and/or operate and license others to establish and operate businesses, including Network In Action Businesses operating under the Proprietary Marks and the Network In Action System at any location outside your Territory regardless of their proximity to, or potential impact on, your Territory or the Franchised Business.

(2) We may own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar or different from the Franchised Business, at any location within or outside the Territory, notwithstanding their proximity to the Territory or their actual or threatened impact on the Franchised Business.

(3) We may utilize two (2) one-hour sessions per year of each of your Network In Action Groups for any purpose whatsoever.

(4) We may sell and distribute, or authorize others to sell and distribute, any products or services, under the Proprietary Marks or other marks, through alternate channels of distribution, including the internet, both within and outside your Territory. Such products or services may be similar or identical to those offered by the Franchised Business. We are not obligated to compensate you for our solicitation, selling or distribution of such products or services within your Territory.

Additionally, during the term of your Franchise Agreement, we may acquire one or more businesses that are the same as, or similar to, Network In Action Businesses then operating under the Network In Action System (each an "**Acquired Business**"), which may be at any location within or outside the Territory, notwithstanding their proximity to the Territory or their actual or threatened impact on Franchised Business, and we may operate and/or license others to operate any Acquired Business under its existing name or as a Network In Action Business under the Network In Action System at any location.

## ITEM 13
## TRADEMARKS

The Franchise Agreement will grant you rights to use the Proprietary Marks in connection with your Franchised Business. We have registered the following Proprietary Mark, along with filing all required affidavits, on the Principal Register of the United States Patent and Trademark Office:

| Proprietary Mark | Registration Number | Registration Date |
|---|---|---|
| NETWORK IN ACTION (Class 35) | 5034645 | September 6, 2016 |

There are no currently effective determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the Trademark Administrator of this state or any court. There is no pending infringement, opposition or cancellation proceeding. There is no pending material litigation involving the trademarks which may be relevant to their use in this state or in any other state.

We do not know of any infringing uses that could materially affect your use of the Proprietary Marks in this state or elsewhere.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, right to use and to license others to use, or your right to use, the Proprietary Marks. We have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We will defend you against any third party claim, suit or demand arising out of your use of the Proprietary Marks. If we determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement. If we determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement. If there is any litigation due to your use of the Proprietary Marks, you must execute all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action. Unless litigation results from your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs, except that you will bear the salary costs of your employees.

There are no agreements currently in effect which limit our rights to use or license the use of any Proprietary Mark. We reserve the right to substitute different proprietary marks for use in identifying the Network In Action System and businesses operating under it if we, in our sole discretion, determine that substitution of different marks as Proprietary Marks will be beneficial to the Network In Action System. You must promptly implement any substitution of new Proprietary Marks.

If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue the use of any Proprietary Marks and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable period of time after receiving notice. We will not be obligated to reimburse you for any cost attributable to or associated with any modified or discontinued Proprietary Marks or for any expenditures you make to promote a modified or substitute trademark or service mark.

## ITEM 14
## PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

### Patents

No patents are material to the operation of your Franchised Business.

### Copyrights

We claim copyright protection covering various materials used in our business and the development and operation of Network In Action Businesses, including the Manuals, advertising and promotional materials, Website, Intranet, web based applications for the management of your Franchised Business and all other systems, binders, videotapes, software, and printed materials which from time to time form part of the Network In Action System (as well as all revisions and additions of or to any of the foregoing). We have not registered these materials with the United States Registrar of Copyrights, but we are not required to do so.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

All rights, title, and interest in advertising and promotional materials that you develop or prepare (or that are prepared by someone on your behalf) or that bear any Proprietary Marks will belong to us. You must sign any documents we reasonably deem necessary to evidence our right, title, and interest in and to any advertising and promotional materials. We will have the right to use these materials and to provide them to other franchisees of the Network In Action System, without compensation to you, regardless of how the materials were developed. Additionally, we may from time to time require that you sign a license agreement for the use of proprietary materials that we provide to you in an electronic format.

**Confidential Information**

Except for the purpose of operating the Franchised Business under a Franchise Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the development and operation of the Franchised Business that may be communicated to you or that you may learn by virtue of your operation of a Network In Action Business. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Business. Any information, knowledge, know-how, and techniques utilized in the Franchised Business will be deemed "confidential" for purposes of the Franchise Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, we may require you, your Designated Principal, and other owners with access to confidential information to sign confidentiality and non-competition agreements or obligate themselves to such covenants. Each of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their affiliation with you or the Franchised Business. These agreements must be in a form that we find satisfactory, and in some cases include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current form of this agreement is included as Exhibit C to the Franchise Agreement (which is included in this Disclosure Document, see Item 22).

**Confidential Manuals**

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Manuals. We will lend you one set of our Manuals for the term of the Franchise Agreement, which you must return to us at the expiration or termination of the Franchise Agreement. The Manuals may consist of multiple volumes of printed text, computer disks, other electronic stored data, videotapes, and periodic updates or bulletins that we issue to franchisees and others operating under the Network In Action System. You must treat the Manuals, all supplements and revisions to the Manuals, including bulletins and the information contained in them, as confidential, and must use best efforts to maintain this information (whether in written or electronic format) as secret and confidential. You must not reproduce these materials (except for the parts of the Manuals that are meant for you to copy, which we will clearly mark as such) or otherwise make them available to any unauthorized person. The Manuals will remain our sole property. You must keep them in a secure place.

We may revise the contents of the Manuals, and you must comply with each new or changed standard. We will notify you in writing of revisions to the Manuals. You must ensure that the Manuals are kept current at all times. If there is a dispute as to the contents of the Manuals, the terms of the master copies that we maintain at our home office will control.

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

Before your Franchised Business opens, you or your Designated Principal, all of your Community Builders and additional persons as we may require must attend and successfully complete, to our satisfaction, the initial training program we provide at a location designated by us. You must satisfy all pre-opening training requirements prior to the opening of the Franchised Business and establishing your first Network In Action Group.

You must operate the Franchised Business in strict conformity with the Franchise Agreement and such standards and specifications as we may from time to time prescribe in the Manuals or otherwise in writing, and shall refrain from deviating from such standards, specifications, and procedures without our prior written consent.

You shall be responsible for the full-time daily supervision, general oversight and management of the operations of the Franchised Business. If you are not an individual, then your Designated Principal, who must be reasonably acceptable to us, must assume this responsibility. In the event your Designated Principal dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the Franchised Business, you must promptly designate a new Designated Principal, subject to our reasonable approval.

You must designate either the Designated Principal or a Community Builder to assume responsibility for the supervision of each Network In Action Group you host and facilitate. We reserve the right to approve the hiring or designation of any Community Builder. You must agree that we have the right to rely upon either or each of the Designated Principal and any Community Builder as having responsibility and decision-making authority regarding any Network In Action Group hosted and facilitated by you under the Franchise Agreement. The Designated Principal must be an individual person with at least a ten percent (10%) ownership interest in the franchisee legal entity. A Community Builder need not have an ownership in the franchisee legal entity.

Under the Franchise Agreement, if you are other than an individual, we may require that your owners personally sign a guaranty, indemnification and acknowledgement (in the forms included as Exhibit C to the Franchise Agreement), guarantying and acknowledging the legal entity's covenants and obligations under that agreement. See Items 14 and 17 for a further description of these obligations.

Network In Action Businesses host and facilitate a total of three (3) Network In Action Groups. In addition to the establishment and operation of Network In Actions Groups, you will also have the option to establish and operate one (1) Crowd Coaching Group for each Network In Action Group you operate. A Crowd Coaching Group describes a group of lesser experienced businesspeople interested in learning and gaining business insight from you and your Network In Action Group members. In the event you opt to establish and operate a Crowd Coaching Group(s), you must do so in strict conformity with such methods, standards, and specifications as we may from time to time prescribe in the Manuals or otherwise in writing, including the successful completion of training related to the operation of such groups.

## ITEM 16
## RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must conduct your Network In Action Group meetings in strict conformity with the methods, standards, policies, procedures and specifications as we may from time to time prescribe in the Manuals or otherwise in writing. You may sell and provide only products and services that we have approved in writing and which conform to our standards and specifications (see also Item 8 above). We have the right, without limit, to change our methods, standards, policies, procedures and specifications, as well as the types of authorized products and services. You must carry and sell all products that we approve and specify to be offered by all Network In Action Businesses, unless we otherwise provide our written approval.

You will be limited to establishing and operating your Network In Action Groups within the Territory, however, you (i) will be permitted to recruit group members that reside, work or are located within or outside your Territory (and perhaps in the territory of another Network In Action Business) and (ii) may engage in approved marketing and advertising efforts, such as Internet, social media or other mass media marketing efforts, outside of the Territory so long as such activities are designed to increase membership in your Network In Action Groups within the Territory.

## 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(s) in Franchise Agreement | Summary |
|---|---|---|---|
| (a) | Length of the franchise term | Section 2.1 | Ten (10) years. |
| (b) | Renewal or extension of the term | Section 2.2 | Two (2) renewal terms of 5 years each. |
| (c) | Requirements for franchisee to renew or extend | Section 2.2 | Notice, satisfaction of monetary obligations, compliance with Franchise Agreement, mutual release, sign new Franchise Agreement, pay renewal fee, and others; see Sections 2.2.1 - 2.2.10 in Franchise Agreement.<br><br>If you seek to renew your franchise at the expiration of the initial term or any renewal term, you will be asked to sign a new Franchise Agreement that contains terms and conditions materially different from those in your previous Franchise Agreement, such as different fee requirements and different territorial rights. |
| (d) | Termination by franchisee | Not Applicable | You may terminate under any grounds permitted by law. |
| (e) | Termination by franchisor without cause | Not Applicable | |

| Provision | | Section(s) in Franchise Agreement | Summary |
|---|---|---|---|
| (f) | Termination by franchisor with cause | Section 16 | Default under Franchise Agreement, bankruptcy, abandonment, and other grounds; see Section 16 of the Franchise Agreement. Under the U.S. Bankruptcy Code, we may not be able to terminate the agreement merely because of a bankruptcy filing. |
| (g) | "Cause" defined – defaults which can be cured | Sections 16.3 and 16.4 | All other defaults not specified in Sections 16.1 and 16.2 of the Franchise Agreement |
| (h) | "Cause" defined – non-curable defaults | Sections 16.1 and 16.2 | Bankruptcy, abandonment, conviction of felony, and others; see Section 16.2 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.) |
| (i) | Franchisee's obligations on termination/non-renewal | Section 17 | Cease operating the Franchised Business, payment of amounts due, and others; see Section 17.1 – 17.11 of the Franchise Agreement. |
| (j) | Assignment of contract by franchisor | Section 15.1 | There are no limits on our right to assign the Franchise Agreement. |
| (k) | "Transfer" by franchisee - defined | Section 15.2 | Includes transfer of any interest. |
| (l) | Franchisor approval of transfer by franchisee | Section 15.2 | We have the right to approve transfers and can apply standards to determine (for example) whether the proposed transferee meets our requirements for a new franchisee. |
| (m) | Conditions for franchisor approval of transfer | Sections 15.3 and 15.4 | Release, signature of new Franchise Agreement, payment of transfer fee, and others; see Sections 15.3.1 – 15.3.11 and 15.4 of the Franchise Agreement. |
| (n) | Franchisor's right of first refusal to acquire franchisee's business | Section 15.6 | We can match any offer. |
| (o) | Franchisor's option to purchase franchisee's business | Not Applicable | Not Applicable |

| Provision | | Section(s) in Franchise Agreement | Summary |
|---|---|---|---|
| (p) | Death or disability of franchisee | Sections 15.7 and 15.8 | Your estate must transfer your interest in the Franchised Business to a third party we have approved, within a year after death or six months after the onset of disability. |
| (q) | Non-competition covenants during the term of the franchise | Sections 18.2 and 18.5 | Includes prohibition on engaging in any other business offering similar products, and soliciting or diverting customers to other businesses, and others; see Section 18.2 of the Franchise Agreement. |
| (r) | Non-competition covenants after the franchise is terminated or expires | Sections 18.3 and 18.5 | Includes a three year prohibition similar to "q" (above), within the Territory, or within 50 miles of the Territory or any other Network In Action Business in operation on the effective date of termination or expiration located anywhere. |
| (s) | Modification of the agreement | Section 25 | Must be in writing signed by both parties. |
| (t) | Integration/merger clause | Section 25 | Only the final written terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. |
| (u) | Dispute resolution by arbitration or mediation | Section 27.2 and 27.3 | Except for certain claims, we and you must first mediate, and if unsuccessful arbitrate, all disputes at a location within 5 miles of our then-current principal place of business (currently in Houston, Texas), subject to state law. |
| (v) | Choice of forum | Section 27.4 | All mediations, arbitrations, and litigation proceedings must be conducted in the city of our then-current principal place of business (currently in Houston, Texas), subject to state law. |
| (w) | Choice of law | Section 27.1 | Texas law applies (subject to state law). |

The provision of the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

See Exhibit B, the State Specific Addendum, for special state disclosures.

## 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-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The following tables relate to the actual Gross Revenues collected for the 12 month period from January 1, 2021 through December 31, 2021 by our affiliate-owned and franchisee-owned Network In Action Businesses, as described in the below tables. We have included all Network In Action Businesses opened prior to January 1, 2021, which includes our 1 affiliate-owned Network In Action Business, which operated 3 Network In Action Groups during this period, our 8 franchisee-owned Network In Action Businesses, which each operated 1 Network In Action Group during this period, our 9 franchisee-owned Network In Action Businesses, which each operated 2 Network In Action Groups during this period, our 6 franchisee-owned Network In Action Businesses, which each operated 3 Network In Action Groups during this period, and our 3 franchisee-owned Network In Action Businesses, which each operated 4 or more Network In Action Groups during this period. We have excluded Network in Action Businesses that were opened on or after January 1, 2021. Our affiliate-owned Network In Action Businesses offer substantially the same services you will offer as a franchisee.

"Gross Revenues" means all revenue related to the Franchised Business (excluding sales taxes collected and remitted to the proper authorities)

**Some Network In Action Businesses have earned this amount. Your individual results may differ. There is no assurance you will earn as much.**

The financial performance representation figures do not reflect operating expenses, or other costs or expenses that must be deducted from a gross revenue figure to obtain your net income or profit. Historical sales, expenses, income or profit may not correspond to future sales, expenses, income and profit due to a variety of factors. You should conduct an independent investigation of the costs and expenses you will incur in operating your Network In Action Business. Franchisees or former franchisees, if any, listed in this Disclosure Document, may be one source of this information.

We have compiled the following information from the internal, unaudited financial statements of our affiliate for the period indicated, and financial statements provided by our franchisees. The figures were not obtained from financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP), but are believed to be reliable.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

**Affiliate-Owned Network In Action Business, Which Operated 3 Network In Action Groups:**

| Affiliate-Owned Network In Action Business For the Year Ending December 31, 2021 | Actual Gross Revenue |
|---|---|
| Operating 3 Network In Action Groups | $76,000 |

Notes:

(1) The above reported affiliate-owned Network In Action Business operated 3 Network in Action Groups during this entire period in the greater Houston, Texas area.

**Franchisee-Owned Network In Action Businesses, Which Operated 1 Network In Action Group:**

| Franchisee-Owned Network In Action Businesses For the Year Ending December 31, 2021 | Actual Average Gross Revenue | Median | High | Low |
|---|---|---|---|---|
| Operating 1 Network In Action Group | $24,112 | $23,167 | $37,146 | $15,017 |

Notes:

(1) The above reported figures include the 8 franchisee-owned Network in Action Businesses that were opened for the entire 12 month period ending December 31, 2021, that operated 1 Network in Action Group. 3 of the above reported Network in Action Businesses exceeded the average and 5 were below the average. The figures are based on total Gross Revenues for each Network in Action Group for each franchisee.

**Franchisee-Owned Network In Action Businesses, Which Operated 2 Network In Action Groups:**

| Franchisee-Owned Network In Action Businesses For the Year Ending December 31, 2021 | Actual Average Gross Revenue | Median | High | Low |
|---|---|---|---|---|
| Operating 2 Network In Action Groups | $39,096 | $32,542 | $102,151 | $15,841 |

Notes:

(1) The above reported figures include the 9 franchisee-owned Network in Action Businesses that were opened for the entire 12 month period ending December 31, 2021, that operated 2 Network in Action Groups. 3 of the above reported Network in Action Businesses exceeded the average and 6 were below the average. The figures are based on total Gross Revenues for both Network in Action Groups for each franchisee.

**Franchisee-Owned Network In Action Businesses, Which Operated 3 Network In Action Groups:**

| Franchisee-Owned Network In Action Businesses For the Year Ending December 31, 2021 | Actual Average Gross Revenue | Median | High | Low |
|---|---|---|---|---|
| Operating 3 Network In Action Groups | $73,355 | $73,879 | $101,435 | $51,650 |

Notes:

(1) The above reported figures include the 6 franchisee-owned Network in Action Businesses that were opened for the entire 12 month period ending December 31, 2021, that operated 3 Network in Action Groups. 3 of the above reported Network in Action Businesses exceeded the average and 3 was below the average. The figures are based on total Gross Revenues for both Network in Action Groups for each franchisee.

**Franchisee-Owned Network In Action Businesses, Which Operated 4 or More Network In Action Groups:**

| Franchisee-Owned Network In Action Businesses For the Year Ending December 31, 2021 | Actual Average Gross Revenue | Median | High | Low |
|---|---|---|---|---|
| Operating 4 or More Network In Action Groups | $126,532 | $121,764 | $156,511 | $121,764 |

Notes:

(1) The above reported figures include the 3 franchisee-owned Network in Action Businesses that were opened for the entire 12 month period ending December 31, 2021, that operated 4 or more Network in Action Groups. 1 of the above reported Network in Action Businesses exceeded the average and 2 was below the average. The figures are based on total Gross Revenues for both Network in Action Groups for each franchisee. 2 of the above reported franchisee-owned Network in Action Businesses operated 4 Network in Action Groups and one operated 5 Network in Action Groups.

Other than the preceding financial performance representation, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Scott Talley, Network In Action Intl. LLC, 770 S. Post Oak Lane, Suite 105, Houston, Texas 77056, (713) 417-6152, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20
## OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1**
**Systemwide Outlet Summary**
**For years 2019 to 2021**

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---|---|---|---|---|
| Franchised | 2019 | 29 | 35 | +6 |
| | 2020 | 35 | 40 | +5 |
| | 2021 | 40 | 76 | +36 |
| Company-Owned or Affiliate-Owned | 2019 | 2 | 3 | +1 |
| | 2020 | 3 | 3 | 0 |
| | 2021 | 3 | 3 | 0 |
| **Total Outlets** | **2019** | **31** | **38** | **+7** |
| | **2020** | **38** | **43** | **+5** |
| | **2021** | **43** | **79** | **+36** |

**Table No. 2**
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**
**For years 2019 to 2021**

| State | Year | Number of Transfers |
|---|---|---|
| All States | 2019 | 0 |
| | 2020 | 2 |
| | 2021 | 0 |
| **Total** | **2019** | **0** |
| | **2020** | **2** |
| | **2021** | **0** |

**Table No. 3**
**Status of Franchised Outlets**
**For years 2019 to 2021**

| State | Year | Outlets at Start of Year | Outlets Opened | Termina-tions | Non-Renewals | Reacquired by Franchisor | Ceased Operations – Other Reasons | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| California | 2019 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 2 | 0 | 0 | 0 | 0 | 3 |
| Colorado | 2019 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 2 | 0 | 0 | 0 | 0 | 4 |
| | 2021 | 4 | 1 | 0 | 0 | 0 | 0 | 5 |
| Florida | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 3 | 0 | 0 | 0 | 0 | 3 |
| Georgia | 2019 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| Idaho | 2019 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Illinois | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| Maryland | 2019 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 2 | 0 | 0 | 0 | 0 | 3 |
| Minnesota | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 3 | 0 | 0 | 0 | 0 | 3 |
| Oregon | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| South Carolina | 2019 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 2 | 0 | 0 | 0 | 0 | 4 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Tennessee | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| Texas | 2019 | 20 | 5 | 0 | 0 | 0 | 0 | 25 |
| | 2020 | 25 | 2 | 0 | 0 | 0 | 0 | 27 |
| | 2021 | 27 | 16 | 0 | 0 | 0 | 4 | 39 |
| Utah | 2019 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| Washington | 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 5 | 0 | 0 | 0 | 0 | 5 |
| **Totals** | **2019** | **29** | **6** | **0** | **0** | **0** | **0** | **35** |
| | **2020** | **35** | **5** | **0** | **0** | **0** | **0** | **40** |
| | **2021** | **40** | **41** | **0** | **0** | **0** | **5** | **76** |

**Table No. 4**
**Status of Company-Owned or Affiliate-Owned Outlets**
**For years 2019 to 2021**

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| Texas | 2019 | 2 | 1 | 0 | 0 | 0 | 3 |
| | 2020 | 3 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 3 |
| **Totals** | **2019** | **2** | **1** | **0** | **0** | **0** | **3** |
| | **2020** | **3** | **0** | **0** | **0** | **0** | **3** |
| | **2021** | **3** | **0** | **0** | **0** | **0** | **3** |

**Table No. 5**
**Projected Openings as of December 31, 2020**

| State | Franchise Agreements Signed but Outlet Not Opened | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company or Affiliate-Owned Outlets in the Next Fiscal Year |
|---|---|---|---|
| Colorado | 2 | 1 | 0 |
| Georgia | 2 | 1 | 0 |
| South Carolina | 5 | 2 | 0 |
| Washington | 5 | 2 | 0 |
| Texas | 7 | 3 | 0 |
| **Total** | **21** | **9** | **0** |

All numbers are as of December 31st for each year.

Under our current Franchise Agreement, our franchisees only have the option to operate three (3) Network In Action Groups. Prior to the date of this Disclosure Document, our franchisees had the option to operate either one (1), two (2), three (3) or four (4) Network In Action Groups.

The "Outlets" reflected in the above tables represent each Network in Action Group, meaning some franchisees listed in Exhibit E operate one Network In Action Group and some operate two or three Network In Action Groups.

A list of the names of all franchisees and the e-mail addresses and telephones numbers of their franchises are provided in Exhibit E to this Disclosure Document.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document will be listed on Exhibit F to this Disclosure Document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

There is no trademark-specific franchisee organization associated with us.

## ITEM 21
## FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit G are our audited balance sheets as of December 31, 2019, 2020 and 2021, and the related statements of income, retained earnings, and cash flows for the fiscal years then ended. Our fiscal year end is December 31st.

Also attached to Exhibit G are our unaudited financial statements for the period from January 1, 2022 to June 30, 2022. These Financial Statements Have Been Prepared without an Audit. Prospective Franchisees or Sellers of Franchises Should be Advised that No Independent Certified Public Accountant Has Audited These Figures or Expressed an Opinion with Regard to their Content or Form.

## ITEM 22
## CONTRACTS

The following contracts are attached to this Disclosure Document:

Exhibit C – Franchise Agreement, including the following agreements:

- Guaranty (as Exhibit C)
- Authorization for Prearranged Payments (as Exhibit D)
- Franchisee Disclosure Acknowledgment Statement (as Exhibit E)

Exhibit D – Non-Use and Non-Disclosure Agreement
Exhibit J – Promissory Note
Exhibit I – General Release

## ITEM 23
## RECEIPT

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document. Please return one signed copy to us and retain the other for your records.

**EXHIBIT A**
**STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS**

| | |
|---|---|
| **CALIFORNIA**<br><br>Department of Financial Protection and Innovation:<br><br>320 West 4th Street, Suite 750<br>Los Angeles, CA 90013<br>(213) 576-7500 Toll Free (866) 275-2677<br><br>2101 Arena Boulevard<br>Sacramento, CA 95834<br>(916) 445-7205<br><br>1350 Front Street<br>San Diego, CA 92101<br>(619) 525-4233<br><br>One Sansome Street, Suite 600<br>San Francisco, CA 94105<br>(415) 972-8559<br><br>Agent:<br>California Commissioner of Financial Protection and Innovation | **CONNECTICUT**<br><br>State of Connecticut<br>Department of Banking<br>Securities & Business Investments Division<br>260 Constitution Plaza<br>Hartford, CT 06103-1800<br>(860) 240-8230<br><br>Agent:<br>Banking Commissioner |
| **HAWAII**<br><br>Commissioner of Securities<br>Department of Commerce and Consumer Affairs<br>335 Merchant Street<br>Honolulu, Hawaii 96813<br>(808) 586-2744<br><br>Agent:<br>Commissioner of Securities of the Department of Commerce and Consumer Affairs | **ILLINOIS**<br><br>Franchise Division<br>Office of Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465<br><br>Agent:<br>Illinois Attorney General |
| **INDIANA**<br><br>Franchise Section<br>Indiana Securities Division<br>Room E-111<br>302 West Washington Street<br>Indianapolis, Indiana 46204<br>(317) 232-6681<br><br>Agent:<br>Indiana Secretary of State | **MARYLAND**<br><br>Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2020<br>(410) 576-6360<br><br>Agent:<br>Maryland Securities Commissioner |

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|---|---|
| **MICHIGAN**<br><br>Consumer Protection Division<br>Antitrust and Franchise Unit<br>Michigan Department of Attorney General<br>670 Law Building<br>Lansing, Michigan 48913<br>(517) 373-7177<br><br>Agent:<br>Michigan Department of Commerce<br>Corporations and Securities Bureau<br>P.O. Box 30054<br>6546 Mercantile Way<br>Lansing, Michigan 48909 | **MINNESOTA**<br><br>Minnesota Department of Commerce<br>85 7th Place East, Suite 280<br>St. Paul, Minnesota 55101-2198<br>(651) 539-1600<br><br>Agent:<br>Minnesota Commissioner of Commerce |
| **NEBRASKA**<br><br>Nebraska Department of Banking and Finance<br>P.O. Box 95006<br>Lincoln, Nebraska 68509-5006 | **NORTH CAROLINA**<br><br>Department of the Secretary of State<br>PO Box 29622<br>Raleigh, NC 27626-0622 |
| **NEW YORK**<br><br>NYS Department of law<br>Investor Protection Bureau<br>28 Liberty Street, 21st Floor<br>New York, NY 10005<br>(212) 416-8236<br><br>Agent:<br>New York Secretary of State<br>New York Department of State<br>One Commerce Plaza<br>99 Washington Avenue, 6th Floor<br>Albany, NY 12231-0001<br>(518) 473-2492 | **NORTH DAKOTA**<br><br>North Dakota Securities Department<br>600 East Boulevard Avenue<br>State Capitol Fifth Floor Dept. 414<br>Bismarck, North Dakota 58505-0510<br>(701) 328-4712<br><br>Agent:<br>North Dakota Securities Commissioner |
| **OREGON**<br><br>Department of Insurance and Finance<br>Corporate Securities Section<br>Labor and Industries Building<br>Salem, Oregon 97310<br>(503) 378-4387<br><br>Agent:<br>Director of Oregon Department of Insurance and Finance | **RHODE ISLAND**<br><br>Division of Securities<br>Rhode Island Dept. of Business Regulation<br>John O. Pastore Complex – Bldg. 69 1<br>1511 Pontiac Avenue<br>Cranston, RI 02920<br>(401) 462-9500<br><br>Agent:<br>Director of Rhode Island Department of Business Regulation |
| **SOUTH DAKOTA**<br><br>Division of Securities<br>Department of Labor & Regulation<br>124 S. Euclid, Suite 104<br>Pierre, South Dakota 57501<br>(605) 773-4823<br><br>Agent:<br>Director of South Dakota Division Securities | **TEXAS**<br><br>Secretary of State<br>P.O. Box 12887<br>Austin, Texas 78711 |

| | |
|---|---|
| **VIRGINIA**<br><br>State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9th Floor<br>Richmond, Virginia 23219<br>(804) 371-9051<br><br>Agent:<br>Clerk of the State Corporation Commission<br>State Corporation Commission<br>1300 East Main Street, 1st Floor<br>Richmond, Virginia 23219 | **WASHINGTON**<br><br>Department of Financial Institutions<br>Securities Division<br>150 Israel Road S.W.<br>Tumwater, Washington 98501<br>(360) 902-8760<br><br>Agent:<br>Director, Department of Financial Institutions<br>Securities Division<br>150 Israel Road S.W.<br>Tumwater, Washington 98501 |
| **WISCONSIN**<br><br>Division of Securities<br>Department of Financial Institutions<br>201 W. Washington Ave., Suite 300<br>Madison, Wisconsin 53703<br>(608) 266-1064<br><br>Agent:<br>Administrator, Division of Securities<br>Department of Financial Institutions<br>201 W. Washington Ave., Suite 300<br>Madison, Wisconsin 53703 | |

**EXHIBIT B**
**STATE SPECIFIC ADDENDUM**

**ADDITIONAL DISCLOSURES FOR THE FRANCHISE DISCLOSURE DOCUMENT OF NETWORK IN ACTION INTL. LLC**

The following are additional disclosures for the Franchise Disclosure Document of Network In Action Intl. LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

**CALIFORNIA**

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

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

3. OUR WEBSITE, www.networkinaction.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

4. The following is added at the end of Item 3:

> Neither we, our parent, predecessor or affiliates nor any person in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a et seq., suspending or expelling such persons from membership in that association or exchange.

5. Item 6 is amended by adding the following to the Remarks in the "Late Fee and Interest on Overdue Payments" section:

> The maximum allowable interest rate in California is 10% per annum.

6. The following paragraphs are added at the end of Item 17:

> California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.

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

The Franchise Agreement provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.).

The Franchise Agreement require application of the laws of the State of Texas. This provision might not be enforceable under California law.

The Franchise Agreement require pre-litigation mediation. The mediation will be conducted at a suitable location chosen by the mediator, which is within a five (5) mile radius of our then-current principal place of business (currently Houston, Texas). The Franchise Agreement also require that any action you bring be commenced in federal or state courts in the state, and in (or closest to) the county, where Franchisor's headquarters are then located (currently Harris County, Texas). Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

**ILLINOIS**

Illinois law governs the Franchise Agreements.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

**MARYLAND**

1. The following is added to the end of Item 5:

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until we complete our pre-opening obligations under the Franchise Agreement.

2. The following is added to the end of the "Summary" sections of Item 17(c), entitled Requirements for franchisee to renew or extend, and Item 17(m), entitled Conditions for franchisor approval of transfer:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

3. The following is added to the end of the "Summary" section of Item 17(h), entitled "Cause" defined – non-curable defaults:

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

4. The following sentence is added to the end of the "Summary" section of Item 17(v), entitled Choice of forum:

You may bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. The following language is added to the end of the chart in Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

**NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARMENT OF LAW, BUREAU OR INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

3. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

4. The following is added to the end of the "Summary" sections of Items 17(c), titled "**Requirements for franchisee to renew or extend**," and 17(m), titled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.

5. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**":

You may terminate the agreement on any grounds available by law.

6. The following is added to the end of the "Summary" section of Item 17(j), titled "**Assignment of contract by franchisor**":

However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.

7. The following is added to the end of the "Summary" sections of Items 17(v), titled "**Choice of forum**," and 17(w), titled "**Choice of law**":

The forgoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee or developer by Article 33 of the General Business law of the State of New York.

**VIRGINIA**

1. The following language is added to Item 5:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

2. The following language is added to the end of the "Summary" section of Item 17.h., entitled "Cause" defined – non-curable defaults:

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

**WASHINGTON**

1. The following is added to the end of Item 5:

Based upon our financial condition, the Washington Securities Division has required a financial assurance. Therefore, the collection of all initial fees owed by franchisees will be deferred until we fulfill our pre-opening obligations under the Franchise Agreement and the Franchised Business is open for business.

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

3. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

4. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

5. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

7. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

8. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE**
**STATE ADDENDA TO THE**
**FRANCHISE AGREEMENT**

**ADDENDUM TO THE**
**FRANCHISE AGREEMENT**
**FOR USE IN ILLINOIS**

**THIS ADDENDUM** (the "**Addendum**") is made and entered into by and between **NETWORK IN ACTION INTL. LLC**, a Texas limited liability company (**"Franchisor**") with its principal business address at 770 S. Post Oak Lane, Suite 105, Houston, Texas 77056, and _____ a _____ (**"Franchisee"**), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20___ (the "Franchise Agreement"). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the Franchised Center that Franchisee will operate under the Franchise Agreement will be located in Illinois, and/or (b) Franchisee is domiciled in Illinois.

2. **FORUM FOR LITIGATION**. The following sentence is added to the end of Section 16.2 ("Consent to Jurisdiction") of the Franchise Agreement:

> Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement which designates jurisdiction or venue in a forum outside of Illinois is void.

3. **GOVERNING LAW**. Section 27.1 of the Franchise Agreement is deleted and replaced with the following:

> Illinois law shall govern this Agreement.

4. **ILLINOIS FRANCHISE DISCLOSURE ACT**. The following language is added as Section 17.17 of the Franchise Agreement:

> 17.17 Illinois Franchise Disclosure Act. Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. Franchisee's rights upon termination and non-renewal of a franchise agreement are set forth in Section 19 and 20 of the Illinois Franchise Disclosure Act.

*Remainder of page intentionally left blank.*

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

**FRANCHISOR**

**NETWORK IN ACTION INTL. LLC**

By:_____
Name:_____
Title:_____

Date:_____

**FRANCHISEE**

**(IF ENTITY):**

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

**(IF INDIVIDUALS):**

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

**ADDENDUM TO THE**
**FRANCHISE AGREEMENT**
**FOR USE IN MARYLAND**

**THIS ADDENDUM** (the "**Addendum**") is made and entered into by and between **NETWORK IN ACTION INTL. LLC**, a Texas limited liability company (**"Franchisor**") with its principal business address at 770 S. Post Oak Lane, Suite 105, Houston, Texas 77056, and _____ a _____ (**"Franchisee"**), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20___ (the "Franchise Agreement"). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is domiciled in Maryland, and/or (b) the Franchised Business that Franchisee will operate under the Franchise Agreement will be located in Maryland.

2. **RELEASES.** The following is added to the end of Sections 2.2.5, 15.3.3, and 15.4 of the Franchise Agreement:

> However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

3. **FRANCHISE FEE**. The following is added to Section 4.1 ("Franchise Fee") of the Franchise Agreement:

> Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by you shall be deferred until we complete our pre-opening obligations under this Agreement.

4. **INSOLVENCY**. The following sentence is added to the end of Section 16.1 of the Franchise Agreement:

> Section 16.1 may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **FORUM FOR LITIGATION**. The following language is added to the end of Section 27.4 ("Consent to Jurisdiction") of the Franchise Agreement:

> Franchisee may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **GOVERNING LAW**. The following sentence is added to the end of Section 27.1 ("Governing Law") of the Franchise Agreement:

> Notwithstanding the foregoing, the Maryland Franchise Registration and Disclosure Law shall govern any claim arising under that law.

7. **ARBITRATION**. The following is added to the end of Section 27.3 ("Arbitration") of the Franchise Agreement:

> This Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

8. **LIMITATION OF CLAIMS**. The following sentence is added to the end of Section 27.8 ("Limitation") of the Franchise Agreement:

> Franchisee must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after Franchisor grant Franchisee the franchise.

9. **ACKNOWLEDGMENTS**. The following is added as a new Section 29 to the end of the Franchise Agreement:

> 29. ACKNOWLEDGEMENTS.
>
> All representations requiring Franchisee to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

*Remainder of page intentionally left blank.*

**FRANCHISOR**

**NETWORK IN ACTION INTL. LLC**

By:_____
Name:_____
Title:_____

Date:_____

**FRANCHISEE**

**(IF ENTITY):**

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

**(IF INDIVIDUALS):**

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

**ADDENDUM TO THE**
**FRANCHISE AGREEMENT**
**FOR USE IN MINNESOTA**

The **NETWORK IN ACTION INTL. LLC** Disclosure Document (the "**Disclosure Document**") and Franchise Agreement between _____ ("**Franchisee**") and **NETWORK IN ACTION INTL. LLC**, a Texas limited liability company ("**Franchisor**"), dated _____ ____, 20___ (the "**Agreement**") shall be amended by the addition of the following language, which shall be considered an integral part of the Disclosure Document and Agreement (this "**Addendum**"):

MINNESOTA LAW MODIFICATIONS

1. The Minnesota Department of Commerce requires that certain provisions contained in franchise documents be amended to be consistent with the Minnesota Franchise Law, Minnesota Statute Chapter 80C, which regulates the sale of franchises to be located in Minnesota or to be sold to residents of Minnesota. Registration is required by the franchisor offering and selling the franchise. To the extent that the Disclosure Document and/or Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

a. The Agreement requires the Franchisee to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action of Franchisor that would violate the Act, or a rule or order under the Act. Minn. Rule 2860.4400D prohibits requiring a franchisee to assent to a general release. Any release of claims or acknowledgment of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Minnesota Franchises Act or a rule or order promulgated thereunder shall be void with respect to claims arising under the Minnesota Franchises Act.

a. The following language must amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections of the Franchise Disclosure Document and agreement(s):

> "Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota~~.~~, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

b. The Minnesota Department of Commerce requires that Franchisor indemnify you against liability to third parties for infringement resulting from your use of the trademarks licensed under the Agreement. Article 10 of the Agreement describes the circumstances under which Franchisor will indemnify you against third party liability for trademark infringement.

Requirements imposed under the Minnesota Franchises Act will supersede inconsistent provisions contained in Article 10 of the Agreement.

c. Sec. 80C.17, Subd. 5 of the Minnesota Franchises Act provides that no action may be commenced thereunder more than three (3) years after the cause of action accrues. To the extent that the Agreement conflicts with this law, the Minnesota law will control.

d. The Agreement contains certain provisions regarding termination and non-renewal of franchise and notice and opportunity to cure. To the extent any provision of this Agreement and/or the Disclosure Document are inconsistent with respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement, those provisions of the Agreement and/or Disclosure Document are hereby amended accordingly. Requirements imposed under the Minnesota Franchise Act will supersede inconsistent provisions contained in the Agreement.

e. Any section of the Agreement (pertaining to liquidated damages) is hereby deleted; provided, that such deletion shall not excuse you from liability for actual or other damages and the formula for assessing liquidated damages shall be admissible in any litigation or proceeding as evidence of actual damages.

f. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. To the extent that the Agreement conflicts with this law, the Minnesota law will control.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of Minnesota law applicable to the provisions are met independent of this Addendum. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Agreement, Franchisor reserves the right to challenge the enforceability of the state law.

4. All other provisions of the Agreement are hereby ratified and confirmed.

*Remainder of page intentionally left blank.*

IN WITNESS WHEREOF, the parties acknowledge that they have read and understand the contents of this Addendum, that they have had the opportunity to obtain the advice of counsel. Intending to be legally bound, the parties have fully and duly executed, sealed and delivered this Addendum on the ___ day of _____, 20__.

**FRANCHISOR**

**NETWORK IN ACTION INTL. LLC**

By:_____
Name:_____
Title:_____

Date:_____

**FRANCHISEE**

**(IF ENTITY):**

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

**(IF INDIVIDUALS):**

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

**ADDENDUM TO THE**
**FRANCHISE AGREEMENT**
**FOR USE IN NEW YORK**

**THIS ADDENDUM** (the "**Addendum**") is made and entered into by and between **NETWORK IN ACTION INTL. LLC**, a Texas limited liability company (**"Franchisor**") with its principal business address at 770 S. Post Oak Lane, Suite 105, Houston, Texas 77056, and _____ a _____ (**"Franchisee"**), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20___ (the "Franchise Agreement"). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is domiciled in New York, and/or (b) the Franchised Business that Franchisee will operate under the Franchise Agreement will be located in New York.

2. **FRANCHISOR'S RIGHTS TO TRANSFER**. The following language is added to the end of Section 15.1 of the Franchise Agreement:

> However, to the extent required by applicable law, no transfer will be made except to an assignee that, in Franchisor's good faith judgment, is willing and able to assume Franchisor's obligations under this Agreement.

3. **RELEASES**. The following language is added to the end of Sections 2.2.5 and 15.3.3 of the Franchise Agreement:

> Notwithstanding the foregoing all rights enjoyed by Franchisee and any causes of action arising in Franchisee's favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

4. **TERMINATION OF AGREEMENT - BY FRANCHISEE**. The following language is added as Section 16.6 of the Franchise Agreement:

> Franchisee also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **INJUNCTIVE RELIEF.** The following sentence is added to the end of Section 18.9:

> Franchisor's right to obtain injunctive relief exists only after proper proofs are made and the appropriate authority has granted such relief.

6. **FORUM FOR LITIGATION**. The following statement is added at the end of Section 27.4 of the Franchise Agreement:

> This section shall not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

7. **GOVERNING LAW.** The following is added to the end of Section 27.1 of the Franchise Agreement:

> This section shall not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

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

**FRANCHISOR**

**NETWORK IN ACTION INTL. LLC**

By:_____
Name:_____
Title:_____

Date:_____

**FRANCHISEE**

**(IF ENTITY):**

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

**(IF INDIVIDUALS):**

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

**ADDENDUM TO THE**
**FRANCHISE AGREEMENT**
**FOR USE IN VIRGINIA**

**THIS ADDENDUM** (the "**Addendum**") is made and entered into by and between **NETWORK IN ACTION INTL. LLC**, a Texas limited liability company (**"Franchisor**") with its principal business address at 770 S. Post Oak Lane, Suite 105, Houston, Texas 77056, and _____ a _____ (**"Franchisee"**), whose principal business address is _____.

1. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20___ (the "Franchise Agreement"). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is domiciled in Virginia, and/or (b) the Franchised Business that Franchisee will operate under the Franchise Agreement will be located in Virginia.

2. **FRANCHISE FEE**. The following is added to Section 4.1 ("Franchise Fee") of the Franchise Agreement:

> The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

*Remainder of page intentionally left blank.*

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

**FRANCHISOR**

**NETWORK IN ACTION INTL. LLC**

By:_____
Name:_____
Title:_____

Date:_____

**FRANCHISEE**

**(IF ENTITY):**

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

**(IF INDIVIDUALS):**

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

**WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT, FRANCHISEE DISCLOSURE ACKNOWLEDGEMENT STATEMENT, AND RELATED AGREEMENTS**

**THIS ADDENDUM** (the "**Addendum**") is made and entered into by and between **NETWORK IN ACTION INTL. LLC**, a Texas limited liability company (**"Franchisor**") with its principal business address at 770 S. Post Oak Lane, Suite 105, Houston, Texas 77056, and _____ a _____ (**"Franchisee"**), whose principal business address is _____.

3. **BACKGROUND**. Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____, 20___ (the "Franchise Agreement"). This Addendum is annexed to and forms part of the Franchise Agreement. This Addendum is being signed because (a) Franchisee is domiciled in Washington, and/or (b) the Franchised Business that Franchisee will operate under the Franchise Agreement will be located in Washington.

4. **FRANCHISE FEE**. The following is added to Section 4.1 ("Franchise Fee") of the Franchise Agreement:

> Based upon our financial condition, the Washington Securities Division has required a financial assurance. Therefore, all initial fees owed by Franchisee will be deferred until we fulfill our pre-opening obligations under this Agreement and your Franchised Business is open for business.

5. **WASHINGTON LAW MODIFICATIONS**. The Washington Securities Division requires that certain provisions contained in franchise documents be amended to be consistent with Washington law, including the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180 (the "Act"). To the extent that the Disclosure Document and/or Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

> In the event of a conflict of laws, the provisions of the Act, Chapter 19.100 RCW, shall prevail.
>
> The State of Washington statute RCW 19.100.180 may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.
>
> In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, a Franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a Franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a Franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a Franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a Franchisor from restricting, restraining, or prohibiting a Franchisee from (i) soliciting or hiring any employee of a Franchisee of the same Franchisor or (ii) soliciting or hiring any employee of the Franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

The undersigned does hereby acknowledge receipt of this Addendum.

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

**FRANCHISOR**

**NETWORK IN ACTION INTL. LLC**

By:_____
Name:_____
Title:_____

Date:_____

**FRANCHISEE**

**(IF ENTITY):**

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

**(IF INDIVIDUALS):**

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

**EXHIBIT C**
**FRANCHISE AGREEMENT**

# NETWORK IN ACTION INTL. LLC

# FRANCHISE AGREEMENT

**FRANCHISEE**

**TERRITORY**

**EFFECTIVE DATE OF AGREEMENT**

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# FRANCHISE AGREEMENT

**THIS FRANCHISE AGREEMENT** (the "**Agreement**") is made and entered into on this _____day of _____, 20___ the "**Effective Date**"), by and between:

- Network In Action Intl. LLC, a Texas limited liability company, whose principal place of business is 770 S. Post Oak Lane, Suite 105, Houston, Texas 77056 ("**Franchisor**"); and

- _____a [resident of] [corporation organized in] [limited liability company organized in] *[select one]*, having offices at ____ _____ _____ _____ ("**Franchisee**").

## BACKGROUND:

A. Franchisor licenses a format and system (the "**Network In Action System**") relating to the operation of businesses that feature and operate under the Proprietary Marks (as defined below) (each a "**Network In Action Business**"). Network In Action Businesses host and facilitate a total of three (3) groups (each a "**Network In Action Group**"), which provide professional networking and referral services, under the name "Network In Action."

B. The distinguishing characteristics of the Network In Action System include (i) uniform procedures, standards and specifications; (ii) training and assistance; and (iii) marketing and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The Network In Action System is identified by means of certain indicia of origin, emblems, trade names, service marks, logos, and trademarks, including applications and/or registrations therefor, as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the Network In Action System including the mark "Network In Action" and other related marks (the "**Proprietary Marks**").

D. Franchisee desires to enter into the business of operating a Network In Action Business under the Network In Action System and using the Proprietary Marks, and wishes to enter into this Agreement with Franchisor for that purpose, and to receive the training and other assistance provided by Franchisor in connection therewith.

E. Franchisee acknowledges that it has read this Agreement and the Franchisor's Franchise Disclosure Document and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain the Franchisor's high standards of quality and service and the uniformity of those standards at all Network In Action Businesses in order to protect and preserve the goodwill of the Proprietary Marks.

F. Franchisee has applied for a franchise to own and operate a Network In Action Business, and such application has been approved by the Franchisor in reliance upon all of the representations made herein.

**NOW, THEREFORE,** the parties agree as follows:

## 1. GRANT

1.1 **Grant and Acceptance**. Franchisor grants to Franchisee the right, and Franchisee hereby undertakes the obligation, upon the terms and conditions set forth in this Agreement to: (a) establish and operate a Network In Action Business (the "**Franchised Business**"), (b) use, only in connection therewith, the Proprietary Marks and the Network In Action System, as they may be changed, improved, or further developed from time to time by Franchisor; and (c) operate the Franchised Business only in the Territory (as defined in Section 1.3 below) in accordance with this Agreement.

1.2 **Limit on Sales**. Franchisee's rights hereunder shall be limited to offering products and providing services approved by Franchisor ("**Approved Products and Services**") within the Territory. Franchisee shall not, without the prior written approval of Franchisor, engage in any other type of sale of, or offer to sell, or distribution of products or services.

1.3 **Franchised Business; Territory**. The license granted by this Agreement gives Franchisee the right, and Franchisee hereby undertakes the obligation, to establish the Franchised Business operating three (3) Network In Action Groups established in accordance with the development schedule described in Section 1.5 (the "**Development Schedule**") in the geographical area specified in Exhibit A (the "**Territory**"), as determined by Franchisor, in its sole discretion. Except as otherwise provided in this Agreement, during the term of this Agreement, Franchisor shall not establish or operate, nor license any other person to establish or operate, a Network In Action Business within the Territory.

1.4 **Membership Recruitment**. It is understood that Franchisee shall be limited to establishing and operating its Network In Action Group(s) within the Territory, provided, however, that Franchisee (i) shall be permitted to recruit group members that reside, work or are located within or outside the Territory (and perhaps in the territory of another Network In Action Business) and (ii) may engage in Franchisor approved marketing and advertising efforts, such as Internet, social media or other mass media marketing efforts, outside of the Territory so long as such activities are designed to increase membership in Franchisee's Network In Action Group(s) within the Territory.

1.5 **Development Schedule**. Franchisee shall establish its first Network In Action Group in the Territory within ninety (90) days following the Effective Date. Franchisee shall establish its second Network In Action Group in the Territory the earlier of one hundred eighty (180) days following the establishment of Franchisee's first Network In Action Group or when membership in Franchisee's first Network In Action Group reaches twenty (20) members. Franchisee shall establish its third Network In Action Group in the Territory the earlier of one hundred eighty (180) days following the establishment of Franchisee's second Network In Action Group or when membership in Franchisee's second Network In Action Group reaches twenty (20) members. Time is of the essence. In the event Franchisee fails to meet this Development Schedule, Franchisor may, in its sole and absolute discretion, (i) reduce the size of the Territory, or (ii) refuse to extend the term of this Agreement.

1.6 **No Assurance, Representation, or Warranty**. Franchisee hereby acknowledges and agrees that determination by Franchisor of the Territory does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the Territory for the Franchised Business or for any other purpose. Determination by Franchisor of the Territory indicates only that Franchisor believes the Territory complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Franchisor shall not be responsible for the failure of the Territory to meet Franchisee's expectations as to revenue or operational criteria.

1.7 **Reserved Rights**. Notwithstanding anything to the contrary in this Agreement, Franchisor retains the following rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein:

1.7.1 To own, acquire, establish, and/or operate and license others to establish and operate, Network In Action Businesses under the Network In Action System at any location outside the Territory, notwithstanding their proximity to the Territory or any Host Venue (as defined in Section 5.2) or their actual or threatened impact on the Franchised Business;

1.7.2 To own, acquire, establish and/or operate, and license others to establish and operate, businesses under proprietary marks other than the Proprietary Marks, whether such businesses are similar to or different from the Franchised Business, at any location within or outside the Territory, notwithstanding their proximity to the Territory or any Host Venue or their actual or threatened impact on the Franchised Business;

1.7.3 To utilize two (2) one-hour sessions per year at each of Franchisee's Network In Action Groups for any purpose whatsoever;

1.7.4 To acquire one or more businesses that are the same as, or similar to, Network In Action Businesses then operating under the Network In Action System (each an "**Acquired Business**"), which may be within or outside the Territory, notwithstanding their proximity to the Territory or their actual or threatened impact on the Franchised Business, and to operate and/or license others to operate any Acquired Business under its existing name or as a Network In Action Business under the Network In Action System; and

1.7.5 Upon the expiration or termination of this Agreement, Franchisor may, in its sole discretion, establish or operate, or license any other person or entity to establish or operate, a Network In Action Business or conduct any other activity within the Territory.

1.8 **No Territory Established**. If there is no Territory established in Exhibit A, Franchisee expressly acknowledges and agrees that Franchisor may own, acquire, establish, and/or operate and license others to establish and operate, Network In Action Businesses under the Network In Action System at any location, and exercise all of the rights reserved to it in Section 1.7 at any location, notwithstanding the proximity to or the actual or threatened impact on the Franchised Business.

## 2. TERM AND RENEWAL

2.1 **Initial Term**. This Agreement shall be in effect upon its acceptance and execution by Franchisor and, except as otherwise provided herein, this Agreement shall expire ten (10) years from the Effective Date.

2.2 **Renewal**. Franchisee may apply to operate the Franchised Business for two (2) additional successive terms of five (5) years each, if the following conditions are met prior to each renewal:

2.2.1 Franchisee shall give Franchisor written notice of Franchisee's election to renew at least six (6) months, but not more than twelve (12) months, prior to the end of the term of this Agreement;

2.2.2 Franchisee shall be in compliance with the Development Schedule, as set forth in Section 1.5.

2.2.3 Franchisee shall not have any past due monetary obligations or other outstanding obligations to Franchisor and its affiliates, or approved suppliers of the Network In Action System;

2.2.4 Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or its affiliates, or the approved suppliers of the Network In Action System; and Franchisee shall have substantially complied with all the terms and conditions of such agreements during the terms thereof;

2.2.5 Franchisee and Franchisor shall execute a mutual general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, agents, and employees;

2.2.6 Franchisee shall execute the then-current form of franchise agreement offered by Franchisor, which shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, requirements to pay additional and/or higher fees such as royalties;

2.2.7 Franchisee shall comply with the then-current qualification and training requirements of Franchisor;

2.2.8 Franchisee, at the time of renewal, satisfies Franchisor's standards of financial responsibility and, if requested by Franchisor, Franchisee demonstrates to Franchisor that Franchisee has sufficient financial resources and means to continue to operate the Franchised Business during the renewal term; and

2.2.9 Franchisee shall remit to Franchisor a renewal fee equal to twenty-five percent (25%) of the then-current franchise fee.

## 3. DUTIES OF FRANCHISOR

3.1 **Initial Training**. Franchisor shall provide its initial training ("**Initial Training**") for Franchisee (or, if Franchisee is other than an individual, the Designated Principal (defined in Section 8.3 below)) and up to 3 additional trainees. Franchisor shall also provide such ongoing training as it may, from time to time, deem appropriate.

3.2 **Loan of Manuals**. Franchisor shall provide Franchisee, on loan, Franchisor's confidential operations manuals and other manuals, instructional materials, and written policies and correspondence (collectively, the "**Manuals**"), as more fully described in Section 10 hereof.

3.3 **Website; Intranet**. Franchisor may, in its sole discretion, establish and maintain a website and intranet in connection with the Network In Action System (collectively, the "**Network In Action Technology**"). Franchisor shall direct all aspects of the Network In Action Technology, in its sole discretion. Franchisor may modify or discontinue the Network In Action Technology at any time.

3.4 **Prospective Member Screening**. Franchisor shall conduct prospective member background checks and personality/compatibility screening for all prospective members who apply for membership to each of Franchisee's Network In Action Groups, as Franchisor determines at the time(s) and in the manner determined by Franchisor.

3.5 **Advertising Programs and Materials**. Franchisor shall review and shall have the right to approve or disapprove all advertising, marketing and promotional materials and efforts that Franchisee proposes to use, pursuant to Section 13 below.

3.6 **Guidance**. Franchisor may provide periodic advice or offer guidance to Franchisee in

the marketing, management, and operation of the Franchised Business as Franchisor determines at the time(s) and in the manner determined by Franchisor.

3.7 **Inspections**. Franchisor shall conduct, as it deems advisable, inspections of the operation of the Franchised Business by Franchisee.

3.8 **List of Suppliers**. Franchisor shall, in the Manuals (or otherwise in writing as determined by Franchisor), provide Franchisee with a list of suppliers designated and/or approved by Franchisor to supply products, marketing, equipment, signage, materials and services to franchisees in the Network In Action System.

3.9 **Delegation**. Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by any distributor, designee, employee, or agent of Franchisor, as Franchisor may direct.

3.10 **Fulfillment of Obligations**. In fulfilling its obligations pursuant to this Agreement, and in conducting any activities or exercising any rights pursuant to this Agreement, Franchisor (and its affiliates) shall have the right: (i) to take into account, as it sees fit, the effect on, and the interests of, other Franchised Businesses and systems in which Franchisor (or its affiliates) has an interest and Franchisor's (and its affiliates' or parent's) own activities; (ii) to share market and product research, and other proprietary and non-proprietary business information, with other Franchised Businesses and systems in which Franchisor (or its affiliates) has an interest, or with Franchisor's affiliates; and/or (iii) to allocate resources and new developments between and among systems, and/or Franchisor's affiliates, as it sees fit. Franchisee understands and agrees that all of Franchisor's obligations under this Agreement are subject to this Section 3.10, and that nothing in this Section 3.10 shall in any way affect Franchisee's obligations under this Agreement.

## 4. FEES

4.1 **Franchise Fee**. In consideration of the execution of this Agreement and Franchisor's granting to Franchisee the franchise covered hereby, Franchisee agrees to pay to Franchisor an initial franchise fee of Twenty-Five Thousand Dollars ($25,000) (the "**Franchise Fee**"), as reflected in Exhibit A. Payment of the Franchise Fee shall be deemed fully earned by Franchisor upon receipt thereof and non-refundable in consideration of administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to franchise others. In the event Franchisee desires to operate Network In Action Businesses in multiple territories, a separate Franchise Agreement shall be executed, and a separate Franchise Fee shall be paid, for each Territory.

4.2 **Royalty Fee**. In consideration of this franchise granted hereby, the services to be provided by Franchisor hereunder, the right to sell the Approved Products and Services to the general public, and for the use of the Network In Action System and the Proprietary Marks during the term hereof, Franchisee shall pay to Franchisor, bimonthly (twice a month), during the term of this Agreement, in addition to the Franchise Fee set forth herein, a royalty fee ("**Royalty Fee**") in an amount equal to fifteen percent (15%) of the Gross Revenue generated by, from, or through the Franchised Business, and report to Franchisor, in the manner specified by Franchisor, its Gross Revenue (a "**Revenue Report**"), provided, however, each bimonthly Royalty Fee payment shall be subject to a minimum payment amount equal to: (i) Three Hundred Fifty Dollars ($350) beginning four (4) months following the Effective Date, (ii) then increasing to Six Hundred Fifty Dollars ($650) beginning eight (8) months following the Effective Date, and (iii) then increasing to Nine Hundred Dollars ($900) beginning twelve (12) months following the Effective Date and thereafter (the "**Minimum Royalty Fee**"). For purposes of clarity, the Royalty Fee shall be the greater of (i) fifteen percent (15%) of the Gross Revenue or (ii) the Minimum

Royalty Fee. "**Gross Revenue**" shall mean all revenue generated in connection with the operation of each and every Network In Action Group and Crowd Coaching Group established and operated by Franchisee, including without limitation, membership fees and dues, revenue collected from the sale of all Approved Products and Services, and all other income of every kind and nature related to, derived from, or originating from the Franchised Business, whether such sales are permitted or not, whether for cash, check, or credit, and regardless of the means of collection; provided, however, that "Gross Revenue" excludes any sales taxes, and/or other taxes collected by Franchisee and actually transmitted to the appropriate taxing authorities.

4.3 **Membership Screening Fee**. During the term of this Agreement, Franchisee shall pay to Franchisor a "**Membership Screening Fee**" in an amount equal to the greater of One Hundred Dollars ($100) for each prospective member who has applied for membership into Franchisee's Network In Action Groups or fifty percent (50%) of the Membership Initiation Fee charged by Franchisee to each prospective member who has applied for membership into Franchisee's Network In Action Groups. The Membership Screening Fee shall provide for the conducting by Franchisor of prospective member background checks and personality/compatibility screening for all prospective members who have applied for membership into Franchisee's Network In Action Groups. "**Membership Initiation Fee**" shall mean the total amount charged by Franchisee to each of its prospective members who have applied for membership into a Franchisee Network In Action Group.

4.4 **Marketing Automation Fee**. Franchisee may, at its option, subscribed to Franchisor's "**Marketing Automation Program**" for a fee of Twenty-Four Dollars and Ninety-Five Cents ($24.95) per month, which fee is subject to change in Franchisor's discretion, and non-refundable. The Marketing Automation Program shall be administered by Franchisor, as it determines, in its sole discretion, and shall be designed to retain and increase Network In Action Group members. In the event that Franchisee opts to subscribe to the Marketing Automation Program, Franchisee must do so for a minimum of twelve (12) months. Franchisor dose not guaranty the success of this Marketing Automation Program and disclaims any liability related thereto.

4.5 **When Payments Due**. All payments required by Sections 4.2 above based on the Gross Revenue for the preceding bimonthly period (or subject to the Minimum Royalty Fee) and the Revenue Report required by Section 4.2 for the Gross Revenue for the preceding bimonthly period shall be paid and submitted so as to be received by Franchisor no later the first (1st) and fifteenth (15th) day of each month during the term hereof. For the avoidance of doubt, Royalty Fee payments (or Minimum Royalty Fee payments) due on the first (1st) day of each month during the term hereof shall be based upon Gross Revenue for the bimonthly period beginning the fifteenth (15th) day of the preceding month through the close of the preceding month, and Royalty Fee payments due on the fifteenth (15th) day of each month during the term hereof shall be based upon Gross Revenue for the bimonthly period beginning the first (1st) day of such month to the fourteenth (14th) day of such month. Franchisor reserves the right to modify the bimonthly payment periods at any time by providing written notice to Franchisee. All payments required by Section 4.3 for all Membership Screening Fees shall be paid so as to be received by Franchisor no later two (2) business days from the entry of each member into Franchisee's Network In Action Groups. All payments required by Section 4.4 for all Marketing Automation Program fees shall be paid so as to be received by Franchisor on the first (1st) day of each month during the term hereof. Franchisee shall deliver to Franchisor any and all reports, statements and/or other information required under Section 12.2 below, at the time and in the format reasonably requested by Franchisor. Franchisee shall establish an arrangement for electronic funds transfer or deposit of any payments required under this Agreement. Franchisee shall execute Franchisor's current form of "Authorization Agreement for Prearranged Payments," a copy of which is attached to this Agreement as Exhibit D, and Franchisee shall comply with the payment and reporting procedures specified by Franchisor in the Manuals. Franchisee expressly acknowledges and agrees that Franchisee's obligations for the full and timely payment of the

Royalty Fee (and all other amounts provided for in this Agreement) shall be absolute, unconditional, fully earned, and due upon Franchisee's generation and receipt of Gross Revenue. Franchisee shall not for any reason delay or withhold the payment of all or any part of those or any other payments due hereunder, put the same in escrow or set-off same against any claims or alleged claims Franchisee may allege against Franchisor or others. Franchisee shall not, on grounds of any alleged non-performance by Franchisor or others, withhold payment of any fee, including, without limitation, Royalty Fees, nor withhold or delay submission of any reports due hereunder including, but not limited, to Revenue Reports. Franchisee further agrees that it shall, at all times throughout the term of this Agreement, maintain a minimum balance of One Thousand Five Hundred Dollars ($1,500.00) in Franchisee's bank account against which such electronic funds transfers shall be drawn for the Franchised Business operated under this Agreement.

4.6 **Additional Payments**. Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor, which is accompanied by reasonable substantiating material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

4.7 **Overdue Payments and Reports**. Any payment, contribution, statement, or report not actually received by Franchisor on or before such due date shall be overdue. If any contribution or payment is overdue, Franchisee shall pay Franchisor immediately upon demand, in addition to the overdue amount: (i) a late payment fee in an amount equal to five percent (5%) of the overdue amount, and (ii) interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Franchisor may have.

4.8 **No Waiver**. Acceptance by Franchisor of any payments provided for in this Agreement, shall not be conclusive or binding on Franchisor with respect to the accuracy of such payment until two (2) years after the effective date of termination or non-renewal of this Agreement. Acceptance of any payment on account of any fee or any and all other payments provided for in this Agreement does not constitute any waiver of Franchisor's rights hereunder.

4.9 **No Subordination**. Franchisee shall not subordinate to any other obligation its obligation to pay Franchisor the royalties and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

## 5. OPENING OF FRANCHISED BUSINESS

5.1 **Commencement Dates**. Unless delayed by the occurrence of events constituting "force majeure," as defined in Section 5.3 below, Franchisee shall commence operations of the Franchise Business in accordance with the Development Schedule. Franchisee shall comply with all of Franchisor's pre-commencement requirements, conditions and procedures (including, without limitation, those regarding Host Venue approval, training, communications and marketing) prior to the commencement and establishment of each Network In Action Group, as set forth in this Agreement, the Manuals, and/or elsewhere in writing by Franchisor.

5.2 **Host Venue**. Prior to commencing operations of the Franchised Business and the establishment of Franchisee's first Network In Action Group, Franchisee shall obtain use of a venue acceptable to Franchisor and suitable to host its Network In Action Group meetings within the Territory (the "**Host Venue**"). Franchisee must submit to Franchisor any information requested about a proposed Host Venue in the form Franchisor specifies. If a site meets Franchisor's standards, Franchisor will not unreasonably withhold approval of a proposed Host Venue. Any venue not expressly approved in writing by Franchisor shall be deemed disapproved. In the event Franchisee desires to move its Network In

Action Group meetings to a new Host Venue, such new venue shall also be subject to Franchisor's prior written approval. Franchisor's approval of a Host Venue does not constitute an assurance or warranty of any kind, express or implied, as to the suitability of the site for Franchisee's Network In Action Group meetings. Franchisee expressly acknowledges and agrees that it may only host virtual Network In Action Group meetings with Franchisor's prior written consent and only in accordance with such specific programs, policies, terms and conditions as Franchisor may from time to time establish.

5.3 **Force Majeure**. As used in this Agreement, "**force majeure**" means an act of God, war, civil disturbance, act of terrorism, government action, fire, flood, accident, hurricane, earthquake, or other calamity, strike or other labor dispute, or any other cause beyond the reasonable control of Franchisee; provided, however, force majeure shall not include Franchisee's lack of adequate financing.

## 6. TRAINING

6.1 **Initial Training and Attendees**. Before opening the Franchised Business, Franchisee shall have satisfied all Initial Training obligations required by Franchisor, which are as follows:

6.1.1 Franchisee (or, if Franchisee is other than an individual, the Designated Principal), all Community Builders (as defined in Section 8.3) and additional persons as Franchisor may require (not to exceed a total of four (4) persons), shall attend and successfully complete, to Franchisor's satisfaction, the Initial Training program offered by Franchisor at a location designated by Franchisor. The duration of the Initial Training will be approximately one (1) week. During the Initial Training, Franchisee and trainees shall receive instruction, training and education in the operation of the Franchised Business and indoctrination into the Network In Action System. If Franchisee or its Designated Principal does not satisfactorily complete such training, Franchisor may terminate this Agreement, in which case Franchisee shall not receive a refund of the Franchise Fee. If any other required trainee does not satisfactorily complete such training, Franchisor may require that a replacement person attend and successfully complete, to Franchisor's satisfaction, the initial training program.

6.1.2 Franchisee must satisfy all pre-opening training requirements under this Section 6.1 prior to the opening of the Franchised Business.

6.2 **New or Replacement Designated Principal**. In the event that Franchisee's Designated Principal ceases active employment in the Franchised Business, Franchisee shall enroll a qualified replacement who is reasonably acceptable to Franchisor in Franchisor's training program reasonably promptly following cessation of employment of said individual. The replacement Designated Principal shall complete the Initial Training program as soon as is practicable and in no event later than any time periods as Franchisor may specify from time to time in the Manuals and otherwise in writing.

6.3 **Refresher Training; Conventions**. Franchisor may also require that Franchisee or its Designated Principal attend such conventions, summits or retreats, refresher courses, seminars, and other training programs as Franchisor may reasonably require from time to time. In the event Franchisee fails to attend a mandatory annual convention, summit or retreat, as determined by Franchisor, Franchisee shall pay a fine equal to One Thousand Dollars ($1,000) for each such absence. Franchisor reserves the right to charge Franchisee an annual fee toward the cost of each mandatory annual convention or retreat, which fee shall be determined by the Advisory Council established in accordance with Section 8.23.

6.4 **Training Costs**. The cost of all training (instruction and required materials) shall be borne by Franchisor, except as provided in Sections 6.6. All other expenses incurred in connection with training, including, without limitation, the costs of transportation, lodging, meals, wages, and insurance, shall be borne by Franchisee.

6.5 **Location of Training**. All training programs shall be at such times as may be designated by Franchisor. Training programs shall be provided at Franchisor's headquarters, online and/or such other locations as Franchisor may designate.

6.6 **Additional On-Site Training**. If Franchisor determines, in its sole discretion, that Franchisee is in need of additional on-site supervision or supplemental training, Franchisor may require that Franchisee receive such training from Franchisor at the Franchised Business (or Host Venue), in which case Franchisee agrees that it shall pay Franchisor's then-current per diem charges and out-of-pocket training expenses, which shall be as set forth in the Manuals or otherwise in writing. If Franchisee requests that Franchisor provide additional on-site supervision or supplemental training or that any training programs offered or required by Franchisor be conducted for Franchisee at the Franchised Business (or Host Venue), then Franchisee further agrees that it shall pay Franchisor's then-current per diem charges and out-of-pocket training expenses, set forth in the Manuals or otherwise in writing.

## 7. TECHNOLOGY

7.1 **Computer Systems and Required Software**. The following terms and conditions shall apply with respect to the Computer System and Required Software:

7.1.1 Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by, between, or among Network In Action Businesses, including without limitation: (a) tablet, lap top and/or desk top computer system and telephone system for use at Network In Action Businesses, between or among Network In Action Businesses, and between and among the Franchised Business and Franchisor and/or Franchisee; (b) printers and other peripheral devices; (c) archival back-up systems; (d) audio/video equipment; and (e) internet access mode and speed (collectively, the "**Computer System**").

7.1.2 Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate: (a) computer software applications/programs and accounting system software that Franchisee must use in connection with the Computer System ("**Required Software**"), which Franchisee shall install; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install; (c) the tangible media upon which such Franchisee shall record data; and (d) the database file structure of Franchisee's Computer System.

7.1.3 Franchisee shall make, from time to time, such upgrades and other changes to the Computer System and Required Software as Franchisor may request in writing (collectively, "**Computer Upgrades**").

7.1.4 Franchisee shall comply with all specifications issued by Franchisor with respect to the Computer System and the Required Software, and with respect to Computer Upgrades. Franchisee shall also afford Franchisor unimpeded access to Franchisee's Computer System and Required Software as Franchisor may request, in the manner, form, and at the times requested by Franchisor.

7.2 **Data**. Franchisor may, from time-to-time, specify in the Manuals or otherwise in writing the information that Franchisee shall collect and maintain on the Computer System installed at the Franchised Business, and Franchisee shall provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained. All data pertaining to the Franchised Business, and all data created or collected by Franchisee in connection with the Network In Action System, or in connection with Franchisee's operation of the business (including without limitation data pertaining to or otherwise concerning the Franchised Business's members) or otherwise provided by Franchisee (including, without limitation, data uploaded to, or downloaded from Franchisee's Computer

System) is and will be owned exclusively by Franchisor, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. Copies and/or originals of such data must be provided to Franchisor upon Franchisor's request. Franchisor hereby licenses use of such data back to Franchisee for the term of this Agreement, at no additional cost, solely for Franchisee's use in connection with the business franchised under this Agreement.

7.3 **E-mail Address**. Franchisee shall be provided one (1) e-mail address in connection with the Franchised Business, which e-mail address shall be utilized, styled, named, configured and hosted through the service provider and domain as set forth by Franchisor in the Manuals or otherwise in writing. Such e-mail address shall be provided to Franchisee by Franchisor at no cost.

7.4 **Privacy**. Franchisee shall abide by all applicable laws pertaining to privacy of information collected or maintained regarding Network In Action Group members or other individuals ("**Privacy**"), and shall comply with Franchisor's standards and policies pertaining to Privacy. If there is a conflict between Franchisor's standards and policies pertaining to Privacy and applicable law, Franchisee shall: (a) comply with the requirements of applicable law; (b) immediately give Franchisor written notice of said conflict; and (c) promptly and fully cooperate with Franchisor and Franchisor's counsel as Franchisor may request to assist Franchisor in its determination regarding the most effective way, if any, to meet Franchisor's standards and policies pertaining to Privacy within the bounds of applicable law.

7.5 **Telecommunications**. Franchisee shall comply with Franchisor's requirements (as set forth in the Manuals or otherwise in writing) with respect to establishing and maintaining telecommunications connections between Franchisee's Computer System and Franchisor's Intranet (as defined below), if any, and/or such other computer systems as Franchisor may reasonably require.

7.6 **Intranet**. Franchisor may establish a website providing private and secure communications between Franchisor, Franchisee, franchisees, licensees and other persons and entities as determined by Franchisor, in its sole discretion (an "**Intranet**"). Franchisee shall comply with Franchisor's requirements (as set forth in the Manuals or otherwise in writing) with respect to connecting to the Intranet, and utilizing the Intranet in connection with the operation of the Franchised Business. The Intranet may include, without limitation, the Manuals, training or other assistance materials, and management reporting solutions (both upstream and downstream, as Franchisor may direct). Franchisee shall purchase and maintain such computer software and hardware as may be required to connect to and utilize the Intranet. Franchisor is under no obligation to establish such Intranet system.

7.7 **Websites**. As used in this Agreement, the term "**Website**" means an interactive electronic document, series of symbols, or otherwise, that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, Franchisee agrees to the following:

7.7.1 Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Proprietary Marks, Network In Action Businesses, the franchising of Network In Action Businesses, and/or the Network In Action System. Franchisor shall have the sole right to control all aspects of the Website, including without limitation its design, content, functionality, links to the websites of third parties, legal notices, and policies and terms of usage; Franchisor shall also have the right to discontinue operation of the website.

7.7.2 Franchisor shall have the right, but not the obligation, to designate one or more web page(s) to describe Franchisee and/or the Franchised Business, with such web page(s) to be located within Franchisor's Website. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance and content of any such web pages; and Franchisor shall have the right to refuse to

post and/or discontinue posting any content and/or the operation of any web page.

7.7.3 Franchisee shall not establish a separate Website, without Franchisor's prior written approval (which Franchisor shall not be obligated to provide). If approved to establish a Website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such Website. Franchisee specifically acknowledges and agrees that any Website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval under Section 13 below.

7.7.4 Franchisor shall have the right to modify the provisions of this Section 7 relating to Websites as Franchisor shall solely determine is necessary or appropriate.

7.8 **Online Use of Marks**. Franchisee shall not, without the prior written approval of Franchisor, use the Proprietary Marks or any abbreviation or other name associated with Franchisor and/or the Network In Action System as part of any e-mail address, domain name, and/or other identification of Franchisee in any Electronic Media. Franchisee agrees not to transmit or cause any other party to transmit advertisements, solicitations, marketing information, promotional information or any other information whatsoever regarding Network In Action Businesses by e-mail or any other "**Electronic Media**" without Franchisor's prior written consent and in accordance with such specific programs, policies, terms and conditions as Franchisor may from time to time establish. Electronic Media shall include, but not be limited to, blogs, microblogs, social networking sites (such as Facebook, LinkedIn and MySpace), video-sharing and photo-sharing sites (such as YouTube and Flickr), review sites (such as Yelp), marketplace sites (such as eBay and Craigslist), Wikis, chat rooms and virtual worlds.

7.9 **No Outsourcing without Prior Written Approval**. Franchisee shall not hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of Franchisee's obligations without Franchisor's prior written approval therefor. Franchisor's consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with Franchisor and Franchisee in a form that is reasonably provided by Franchisor.

7.10 **Changes to Technology**. Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the Network In Action System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Section 7 were periodically revised by Franchisor for that purpose.

## 8. OTHER DUTIES OF FRANCHISEE

8.1 **Details of Operation**. Franchisee understands and acknowledges that every detail of the Network In Action System and this Agreement is important to Franchisee, Franchisor, and other franchisees in order to develop and maintain high operating, quality and service standards, to increase the demand, to protect Network In Action Businesses operating under the Network In Action System, and to protect the reputation and goodwill of Franchisor.

8.2 **Compliance with the Agreement, including the Manuals**. Franchisee shall operate the Franchised Business in strict conformity with this Agreement and such standards and specifications as

Franchisor may from time to time prescribe in the Manuals or otherwise in writing, and shall refrain from deviating from such standards, specifications, and procedures without the prior written consent of Franchisor.

8.3 **Management of Business & Designated Principal**. If Franchisee is other than an individual, prior to beginning training, Franchisee shall comply with the following:

8.3.1 Franchisee shall designate, subject to Franchisor's reasonable approval, one "**Principal**" who is both an individual person and owns at least a ten percent (10%) beneficial interest in Franchisee, and who shall be responsible for general oversight and management of the operations of the Franchised Business on behalf of Franchisee (the "**Designated Principal**"). In the event the person designated as the Designated Principal dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the Franchised Business, Franchisee shall promptly designate a new Designated Principal, subject to Franchisor's reasonable approval.

8.3.2 Franchisee shall designate either the Designated Principal or a group leader (known under the Network In Action System as a "**Community Builder**") to assume responsibility for the supervision of each Network In Action Group hosted and facilitated by Franchisee. Franchisor reserves the right to approve the hiring or designation of any Community Builder. Franchisee shall inform Franchisor in writing whether Franchisee, the Designated Principal (if Franchisee is other than an individual), or a Community Builder will assume this role with respect to each Network In Action Group hosted and facilitated by Franchisee under this Agreement.

8.3.3 Franchisee acknowledges and agrees that Franchisor shall have the right to rely upon either or each of the Designated Principal and any Community Builder as having responsibility and decision-making authority regarding any Network In Action Group hosted and facilitated by Franchisee under this Agreement.

8.4 **Staffing**. In order to protect and enhance the System and the goodwill associated with the Proprietary Marks, in the event Franchisee has the need of employees, Franchisee agrees to take such steps as are necessary to ensure that its employees preserve good member relations; render competent, prompt, courteous, and knowledgeable service; comply with such uniforms and/or dress code as Franchisor may prescribe; and meet such minimum standards as Franchisor may establish from time to time in the Manuals. Franchisee shall be solely responsible for all employment decisions and functions of the Franchised Business, including those related to hiring, firing, wage and hour requirements, recordkeeping, supervision, and discipline of employees, in addition to compliance with all applicable federal, state, and local laws, rules and regulations.

8.5 **Member Approval and Onboarding**. Franchisor shall have the right to conduct prospective member background checks and personality/compatibility screening for all prospective members who apply for membership to each of Franchisee's Network In Action Groups, as set forth in Section 3.4. Based upon such screening, and criteria set forth in the Manuals, Franchisor shall have the right to approve all members to each of Franchisee's Network In Action Groups prior to any member joining any such groups. Franchisor shall conduct this prospective member screening no later than ten (10) days following receipt of the prospective member's application and completed testing, as well as any other information Franchisor may reasonably request. Upon approval of a member by Franchisor, Franchisee shall conduct the member onboarding process, in accordance with the Manuals, within five (5) business days. Any prospective member not expressly disapproved in writing by Franchisor shall be deemed approved. It is further agreed, understood and acknowledged that Franchisor shall have the right to remove any previously approved member of Franchisee's Network In Action Group(s) in Franchisor's sole and absolute discretion.

8.6 **Monthly Meetings; Mini Meets**. Unless directed otherwise by Franchisor, during the term of this Agreement, Franchisee shall host one (1) meeting per month for each of Franchisee's Network In Action Groups. Franchisee must first gain approval of meeting date and time from Franchisor. At no time is Franchisee allowed to change the date of the monthly meeting without the written consent of Franchisor. If Franchisee needs to miss a meeting for any reason, Franchisee must notify Franchisor with as much advance notice as possible and follow all applicable protocols in the Manuals. Franchisees is further required to hold a minimum of nine (9) "**Mini Meets**" annually. These Mini Meets are to be held in accordance with Franchisors standards, policies and procedures as set forth from time to time in the Manuals or otherwise in writing, and may, in Franchisor's sole discretion, take the form of coaching sessions, happy hour gatherings or lunch meetings.

8.7 **Weekly Member Messaging**. Franchisee shall deliver a minimum of one (1) e-mail message every Friday and one (1) text message every Tuesday to each member of its Network In Action Groups, using the Network In Action System platform provided by Franchisor. Failure to deliver such weekly e-mail and text messages or deviation from the use of such messaging platform provided by Franchisor shall constitute a breach of this Agreement. Franchisee shall communicate with each member of its Network In Action Groups utilizing the Network In Action System email and text message platform provided by Franchisor. Franchisor reserves the right to alter email and text messaging policies and procedures, which shall be set forth in the Manuals or otherwise in writing.

8.8 **Meeting Times, Duration and Content**. Each Network In Action Group meeting hosted by Franchisee shall start on time and last for the duration of ninety (90) minutes. Franchisee shall conduct each of its Network In Action Group meetings utilizing the meeting agenda and content provided by Franchisor. Deviation from such meeting duration, agenda and content provided by Franchisor shall constitute a breach of this Agreement.

8.9 **Meeting Refreshments**. Franchisee shall provide food and beverages during each of its Network In Action Group meetings, as directed by Franchisor in the Manuals or otherwise in writing.

8.10 **Crowd Coaching Groups**. In addition to the establishment and operation of Network In Actions Groups, Franchisee shall have the option to establish and operate one (1) Crowd Coaching Group for each Network In Action Group Franchisee operates. A "**Crowd Coaching Group**" shall mean a group of lesser experienced businesspeople interested in learning and gaining business insight from Franchisee and Franchisee's Network In Action Group members. In the event Franchisee opts to establish and operate a Crowd Coaching Group(s), it must do so in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing, including, without limitation, the satisfactorily completion of all related training prescribed by Franchisor.

8.11 **Conformity to Standards**. To insure that the highest degree of quality and service is maintained, Franchisee shall operate the Franchised Business in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Without limitation, Franchisee agrees as follows:

8.11.1 Franchisee shall conduct its Network In Action Group meetings in strict conformity with the methods, standards, policies, procedures and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing.

8.11.2 Franchisee shall offer and sell only Approved Products and Services, unless otherwise approved in writing by Franchisor; and Franchisee shall offer and sell all Approved Products and Services as Franchisor may specify from time to time as required offerings at the Franchised

Business. Franchisee is prohibited from offering or selling any products or services at or from the Franchised Business that have not previously been authorized by Franchisor, and shall discontinue selling and offering for sale any products or services which Franchisor shall have disapproved, in writing, at any time. If Franchisee wishes to offer or sell any products or services that have not previously been authorized by Franchisor, Franchisee must first make a written request to Franchisor for approval. Franchisor may deny such approval for any reason.

8.11.3 Franchisee shall facilitate and allow periodic Network In Action Group member surveys and satisfaction audits to be made by Franchisor, as determined by Franchisor. Additionally, Franchisee shall participate in any complaint resolution and other programs as Franchisor may reasonably establish for the Network In Action System, which programs may include, without limitation, providing discounts or refunds to members.

8.11.4 Franchisee shall contact the bottom 10% of their Network In Action Group members each month (excluding such members who have been in Franchisee's Network In Action Group less than forty-five (45) days) utilizing the bottom 10% check-in process as set forth in the Manuals or otherwise in writing. Franchisee must verify compliance with this Section 8.11.4 by submitting a list of all such members contacted before the tenth ($10^{th}$) day of each month during the term hereof. The term "bottom 10%" shall indicate the 10% of members of Franchisee's Network In Action Group that have the lowest record of participation.

8.12 **Purchases and Approved Suppliers**. Franchisee shall purchase all equipment, signs, supplies, services, products, marketing materials and promotional programs for the establishment and operation of the Franchised Business from Suppliers designated or approved in writing by Franchisor (as used in this Section 8.12 the term "**Supplier**" shall include manufacturers, providers, distributors and all other forms of suppliers). In determining whether it will approve any particular Supplier, Franchisor shall consider various factors, including but not limited to whether the Supplier (i) can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such products or services; (ii) possesses adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; (iii) possesses adequate insurance and risk management controls; (iv) approval of who would enable the Network In Action System, in Franchisor's sole opinion, to take advantage of marketplace efficiencies; and (v) has been approved in writing by Franchisor prior to any purchases by Franchisee from any such Supplier, and have not thereafter been disapproved. Franchisor reserves the right to designate, at any time and for any reason, a single Supplier for any equipment, signs, supplies, services, products, marketing materials or promotional programs and to require Franchisee to purchase exclusively from such designated Supplier, which exclusive designated supplier may be Franchisor or an affiliate of Franchisor.

8.12.1 If Franchisee desires to purchase any products or other items, equipment, supplies, services, marketing materials or promotional programs from suppliers other than those previously designated or approved by Franchisor, Franchisee must first submit to Franchisor a written request for authorization. Franchisee shall not purchase from or utilize any Supplier until, and unless, such Supplier has been approved in writing by Franchisor. Franchisor may deny such approval for any reason, including its determination to limit the number of approved Suppliers. Franchisee must submit to Franchisor such information as Franchisor may reasonably require in order to make its determination.

8.12.2 Franchisor reserves the right, at its option, to revoke its approval upon the Supplier's failure to continue to meet any of Franchisor's then-current criteria. Upon receipt of written notice of such revocation, Franchisee shall cease to sell or use any disapproved item and/or cease to purchase from any disapproved Supplier.

8.12.3 Nothing in the foregoing shall be construed to require Franchisor to approve any particular Supplier, nor to require Franchisor to make available to prospective Suppliers, standards for approval and/or specifications for formulas, which Franchisor shall have the right to deem confidential.

8.12.4 Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally known Suppliers who are willing to supply all or some Network In Action Businesses with some or all of the products and/or services that Franchisor requires for use and/or sale in the development and/or operation of Network In Action Businesses. In this event, Franchisor may limit the number of approved Suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all products and services, and/or refuse any of Franchisee's requests for approval if Franchisor believes that this action is in the best interest of the Network In Action System or the franchised network of Network In Action Businesses. Franchisor shall have unlimited discretion to approve or disapprove of the Suppliers who may be permitted to sell products and services to Franchisee.

8.12.5 Franchisor and its affiliates may receive payments or other compensation from Suppliers on account of such Suppliers' dealings with Franchisee and other franchisees; and Franchisor may use all amounts so received for any purpose Franchisor and its affiliates deem appropriate.

8.13 **Business Inspections/ Member Surveys**. Franchisee shall permit Franchisor to conduct inspections of the Franchised Business operations of Franchisee, including attending any Network In Action Group hosted by Franchisee, as well as conducting periodic surveys and satisfaction audits of all members. Franchisee shall cooperate with Franchisor's representatives with respect to such inspections and surveys by rendering such assistance as Franchisor may reasonably request; and, upon notice from Franchisor or its agents, and without limiting other rights of Franchisor under this Agreement, shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection or survey. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right, but not the obligation, to correct any deficiencies which may be susceptible to correction by Franchisor and to charge Franchisee the actual expenses of Franchisor in so acting, which shall be payable by Franchisee upon demand. The foregoing shall be in addition to such other remedies Franchisor may have.

8.14 **Trademarked Items**. Franchisee shall ensure that all advertising and promotional materials, signs, and other items specified by Franchisor bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor. Franchisee shall utilize all Network In Action Businesses signage and promotional materials in accordance with Franchisor's specifications.

8.15 **Compliance**. Franchisee shall comply with all federal, state and local laws, rules and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business licensed by this Agreement.

8.16 **Assumed Name Registrations**. Franchisee shall register an assumed name certification for the purpose of doing business as a "Network In Action," and provide a true copy of such registered assumed name certification to Franchisor.

8.17 **Attire/Uniforms**. Franchisee shall dress in a professional manner and, if required, wear standard uniforms from time to time as set forth in the Manuals or otherwise in writing in order to further enhance Franchisor's Network In Action System. Franchisee shall purchase such uniforms and related attire from manufacturers or distributors approved by Franchisor, which uniforms and related attire must be in strict accordance with Franchisor's design and other specifications.

8.18 **Pricing**. Franchisor may, in the exercise of its reasonable business judgment and to the extent permitted by applicable law, establish specific membership fees and/or dues and prices for Approved Products and Services, or a range of acceptable fees/dues/prices, or minimum advertised pricing that, in any case, shall be adhered to by Franchisee and all other similarly situated Network In Action Businesses.

8.19 **Prohibited Product/Service Fine**. In the event Franchisee sells or utilizes a product or performs any services that Franchisor has not prescribed, approved or authorized, or conducts its Network In Action Group meetings in violation of Section 8.11.1, or communicates in any way with its members in violation of this Agreement or the Manuals, Franchisee shall (i) cease and desist such action(s) and (ii) pay to Franchisor, on demand, a prohibited product or service fine equal to Two Hundred Fifty Dollars ($250) per day for each day such unauthorized or unapproved product or service is offered utilized or provided by Franchisee or such unauthorized or unapproved action is taken. The prohibited product or service fine shall be in addition to all other remedies available to Franchisor under this Agreement or at law.

8.20 **Participation in Promotions**. Franchisee shall participate in promotional programs developed by Franchisor for the Network In Action System, in the manner directed by Franchisor in the Manuals or otherwise in writing.

8.21 **Obligations to Third Parties**. Franchisee must at all times pay its suppliers, employees, Host Venue, lessors, lenders, tax authorities, and other creditors, promptly as the debts and obligations to such persons become due. Failure to do so shall constitute a breach of this Agreement.

8.22 **Notice of Legal Actions**. Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which (i) relates to the operation of the Franchised Business, (ii) may adversely affect the operation or financial condition of the Franchised Business, or (iii) may adversely affect Franchisee's financial condition.

8.23 **Franchisee Advisory Councils**. If Franchisor should, during the term of this Agreement, form or require the formation of a franchisee advisory council or association (hereinafter "**Advisory Council**") or such successor council to serve as an advisory council to Franchisor with respect to advertising, marketing, and other matters relating to franchised Network In Action Businesses, Franchisee may be required to become a member of the Advisory Council.

8.24 **Credit Cards; Mandatory Method of Payment**. Franchisor reserves the right to require that Franchisee maintain arrangements with Visa, American Express, MasterCard and additional or replacement credit card and debit card issuers or sponsors nominated by Franchisor from time to time, in order that the Franchised Business may accept credit cards and debit cards, and other methods of payment. In accordance with Section 8.12, Franchisee shall utilize and purchase all credit/debit card merchant services from the payment system or financial institution supplier approved and designated by Franchisor. Whenever Franchisor designates a new payment system or financial institution supplier for credit/debit card merchant services for the System, Franchisee agrees to adopt the designate promptly. Franchisor reserves the right to require that Franchisee only accept payment through the use of Franchisor's approved payment system or financial institution supplier for credit/debit card merchant services. Franchisee further agrees to afford Franchisor unimpeded access to any and all reports or information generated by the payment system or financial institution supplier for credit/debit card merchant services. Failure to comply with this Section 8.8 shall constitute a material breach of this Agreement.

8.25 **Changes to the Network In Action System**. Franchisee acknowledges and agrees that from time to time hereafter Franchisor may change or modify the Network In Action System presently identified by the Proprietary Marks, as Franchisor deems appropriate, including without limitation to reflect the changing market and to meet new and changing consumer demands, and that variations and additions to the Network In Action System may be required from time to time to preserve and enhance the public image of the Network In Action System and operations of Network In Action Businesses. Changes to the Network In Action System may include, without limitation, the adoption and use of new, modified, or substituted products, services, programs, standards, policies and procedures, forms, equipment and new techniques and methodologies, and (as described in Section 9 below) additional or substitute trademarks, service marks and copyrighted materials. Changes to the Network In Action System may further include, without limitation, abandoning the Network In Action System altogether in favor of another system in connection with a merger, acquisition, other business combination; and modifying or substituting entirely the equipment, signage, and uniform specifications and all other operational attributes which Franchisee is required to observe hereunder. Franchisee shall, upon reasonable notice, accept, implement, use in the operation of the Franchised Business any such changes in the Network In Action System, as if they were part of this Agreement at the time of execution hereof, at Franchisee's sole expense. Additionally, Franchisor reserves the right, in its sole discretion, to vary the standards throughout the Network In Action System, as well as the services and assistance that Franchisor may provide to some franchisees based upon the peculiarities of a particular Territory or circumstance, existing business practices, or other factors that Franchisor deems to be important to the operation of any Network In Action Business or the Network In Action System. Franchisee shall have no recourse against Franchisor on account of any variation to any franchisee and shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder. Except as provided herein, Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

8.26 **Modifications Proposed by Franchisee**. Franchisee shall not implement any change to the Network In Action System (including the use of any product or service not already approved by Franchisor) without Franchisor's prior written consent. Franchisee acknowledges and agrees that, with respect to any change, amendment, or improvement in the Network In Action System or use of additional product or service for which Franchisee requests Franchisor's approval: (i) Franchisor shall have the right to incorporate the proposed change into the Network In Action System and shall thereupon obtain all right, title, and interest therein without compensation to Franchisee, (ii) Franchisor shall not be obligated to approve or accept any request to implement change, and (iii) Franchisor may from time to time revoke its approval of a particular change or amendment to the Network In Action System, and upon receipt of written notice of such revocation, Franchisee shall modify its activities in the manner described by Franchisor.

8.27 **Non-Disparagement**. Franchisee shall not communicate or publish, directly or indirectly, any disparaging comments or information about Franchisor during the term of this Agreement or thereafter. This provision shall include, but not be limited to, communication or distribution of information through the Internet via any Electronic Media, as defined herein.

## 9. PROPRIETARY MARKS; COPYRIGHTS

9.1 **Ownership**. Franchisor represents with respect to the Proprietary Marks that:

9.1.1 Franchisor is the owner of the Proprietary Marks. Franchisee acknowledges that Franchisor has not made any representation or warranty to the effect that the Proprietary Marks which have not been registered shall be registered or are able to be registered therein, and the failure to obtain registrations of any of the Proprietary Marks shall not be deemed to be a breach of the terms of this Agreement by Franchisor. Moreover, Franchisee shall cooperate with Franchisor, and its representatives, at Franchisors expense, in the prosecution of any applications or registrations of any Proprietary Marks which have been filed with the appropriate authorities.

9.1.2 Franchisor will take all steps reasonably necessary to preserve and protect the ownership and validity in and to the Proprietary Marks.

9.2 **License to Franchisee**. Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement in connection with the operation of the Franchised Business, and any unauthorized use thereof shall constitute an infringement of rights of Franchisor. Nothing in this Agreement shall be construed as authorizing or permitting their use at any other location or for any other purpose except as may be authorized in writing by Franchisor.

9.3 **Terms of Franchisee's Usage**. With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees that:

9.3.1 It shall use only the Proprietary Marks designated by Franchisor, and to use them only in the manner authorized and permitted by Franchisor. Further, Franchisee shall not use any confusingly similar Trademarks in connection with its franchise or any other business in which it has an interest;

9.3.2 It shall use the Proprietary Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in Franchisor-approved advertising for the business conducted at or from that location;

9.3.3 It shall operate and advertise the Franchised Business only under the name "Network In Action," and use the Proprietary Marks without prefix or suffix, unless otherwise authorized or required by Franchisor.

9.3.4 It shall not use the Proprietary Marks as part of its corporate or other legal name, or as part of any e-mail address, domain name, or other identification of Franchisee in any electronic medium. Franchisee may, as necessary to conduct the business of the Franchised Business and to obtain governmental licenses and permits for the Franchised Business, indicate that Franchisee shall be operating the Franchised Business under the trade name "Network In Action," provided that Franchisee shall also clearly identify itself as the owner and operator of the Franchised Business;

9.3.5 It shall identify itself as the owner of the Franchised Business (in the manner required by Franchisor) in conjunction with any use of the Proprietary Marks, including on invoices, receipts, and business stationery, as Franchisor may designate in writing;

9.3.6 It shall not use the Proprietary Marks in such a way as to incur any obligation or indebtedness on behalf of Franchisor; and

9.3.7 It shall execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability. At Franchisor's request, Franchisee shall assign, transfer or convey to Franchisor, in writing, all additional rights, if any, that may be acquired by Franchisee as a result of its use of the Proprietary Marks.

9.4 **Franchisee Acknowledgments**. Franchisee expressly understands and acknowledges that:

9.4.1 During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of Franchisor's right to use and to license others to use, the Proprietary Marks;

9.4.2 Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks;

9.4.3 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Franchisor, and, upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Network In Action System or the Proprietary Marks;

9.4.4 The right and license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor thus has and retains the rights, among others: (a) to use the Proprietary Marks itself; (b) to grant other licenses for the Proprietary Marks; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing any rights therein to Franchisee;

9.4.5 Franchisor reserves the right to approve all signs, memos, stationery, business cards, advertising material forms and all other objects and supplies using the Proprietary Marks. All advertising, publicity, point of sale materials, signs, decorations, furnishings, equipment, or other materials employing the Proprietary Marks shall be in accordance with this Agreement and the Confidential Operations Manuals, and Franchisee shall obtain Franchisor's approval prior to such use;

9.4.6 Franchisor shall have the right to substitute different proprietary marks for use in identifying the Network In Action System and the businesses operating thereunder at the sole discretion of Franchisor. If it becomes advisable at any time, in the discretion of Franchisor, to modify or discontinue use of any Proprietary Mark and/or to adopt or use one or more additional or substitute Proprietary Marks, then Franchisee shall be obligated to comply with any such instruction by Franchisor. In such event and at Franchisor's direction, Franchisee shall adopt, use and display only such new or modified Proprietary Marks and shall promptly discontinue the use and display of outmoded or superseded Proprietary Marks, at Franchisee's expense. Franchisee waives any other claim arising from or relating to any Proprietary Mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any proprietary mark addition, modification, substitution or discontinuation. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages;

9.4.7 Upon the expiration, termination or non-renewal of this Agreement, Franchisee shall immediately cease using the Proprietary Marks, color combinations, designs, symbols or slogans; and Franchisor may cause Franchisee to execute such documents and take such action as may be necessary to evidence this fact. After the effective date of expiration, termination or non-renewal, Franchisee shall not represent or imply that he is associated with Franchisor. To this end, Franchisee irrevocably appoints Franchisor or its nominee to be Franchisee's attorney-in-fact to execute, on Franchisee's behalf, any document or perform any legal act necessary to protect the Proprietary Marks from unauthorized use. Franchisee acknowledges and agrees that the unauthorized use of the Proprietary Marks will result in irreparable harm to Franchisor for which Franchisor may obtain injunctive relief, monetary damages, reasonable attorneys' fees and costs;

9.4.8 In order to develop and maintain high uniform standards of quality and service and to protect the reputation and goodwill of Franchisor, Franchisee agrees to do business and advertise using only the Proprietary Marks designated by the Franchisor. Franchisee shall not do business or advertise using any other name. Franchisee is not authorized to and shall not use the words "Network In Action" by itself, as a part of the legal name of any corporation, partnership, proprietorship or other business entity to which Franchisee is associated, or with a bank account, trade account or in any legal or financial connection;

9.4.9 In order to preserve the validity and integrity of the Proprietary Marks, and to assure that Franchisee is properly employing them in the operation of Franchisee's business, Franchisor and its agents shall have the right at all reasonable times to inspect Franchisee's business, financial books and records, and operations. Franchisee shall cooperate with and assist Franchisor's representative in such inspections;

9.4.10 Franchisee shall be required to affix the tm or sm or ® symbol upon all advertising, publicity, signs, decorations, furnishings, equipment or other printed or graphic material employing the words "Network In Action" or any other of the Proprietary Marks, whether presently existing or developed in the future;

9.4.11 Franchisee acknowledges that it does not have any right to deny the use of the Proprietary Marks to any other franchisees. In consideration therefor, Franchisee shall execute all documents and take such action as may be requested to allow Franchisor or other franchisees to have full use of the Proprietary Marks;

9.4.12 If, during the term of this Agreement, there is a claim of prior use of any of the Proprietary Marks in the area in which Franchisee is doing business or in another area or areas, Franchisee shall so use any of Franchisor's other Proprietary Marks in such a way and at Franchisor's discretion in order to avoid a continuing conflict;

9.4.13 Franchisee shall immediately notify Franchisor of any apparent infringement of or challenge to Franchisee's use of the Proprietary Marks, or any claim, demand, or suit based upon or arising from the unauthorized use of, or any attempt by any other person, firm, or corporation to use, without authorization, or any infringement of or challenge to, any of the Proprietary Marks. Franchisee also agrees to immediately notify Franchisor of any other litigation instituted by any person, firm, corporation or governmental entity against Franchisor or Franchisee;

9.4.14 Franchisor shall undertake the defense or prosecution of any litigation concerning Franchisee that relates to any of the Proprietary Marks or that, in Franchisor's judgment, may affect the goodwill of the Network In Action System; and Franchisor may, in such circumstances, undertake any other action which it deems appropriate. Franchisor shall have sole and complete discretion in the conduct of any defense, prosecution or other action it chooses to undertake. In that event, Franchisee shall execute those documents and perform those acts which, in the opinion of Franchisor, are necessary for the defense or prosecution of the litigation or for such other action as may be undertaken by Franchisor; and

9.4.15 Franchisor agrees to indemnify Franchisee against, and to reimburse Franchisee for, all damages for which it is held liable in any proceeding in which Franchisee's use of any Proprietary Mark pursuant to and in compliance with this Agreement is held to constitute trademark infringement, unfair competition or dilution, and for all costs reasonably incurred by Franchisee in the defense of any such claim brought against it or in any such proceedings in which it is named as a party, provided that Franchisee has timely notified the Franchisor of such claim or proceedings, has otherwise complied with

this Agreement and has tendered complete control of the defense of such to the Franchisor. If the Franchisor defends such claim, the Franchisor shall have no obligation to indemnify or reimburse Franchisee with respect to any fees or disbursements of any attorney retained by Franchisee.

9.4.16 Franchisor is the owner of the copyright in the Manuals, advertising and promotional materials, Website, Intranet, and all other systems, binders, videotapes, software, and printed materials which from time to time form part of the Network In Action System (as well as all revisions and additions of or to any of the foregoing) (collectively, the "**Copyrighted Materials**"). Franchisee acknowledges that Franchisee's right to use the Copyrighted Materials is derived solely from this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all applicable specifications, standards and operating procedures prescribed in writing by Franchisor during the term and any exercised renewal term. Any unauthorized use of any of the Copyrighted Materials by Franchisee shall be an infringement of the rights of Franchisor in and to the Copyrighted Materials and shall constitute a breach of this Agreement. Franchisee agrees not to contest or oppose, nor to assist anyone else to contest or oppose, Franchisor's application for registration or protection of any of the Copyrighted Materials in the United States or any foreign copyright office. Franchisee will ensure that all Copyrighted Materials used by Franchisee bear whatever copyright notice, may be prescribed from time to time in writing to Franchisee by Franchisor.

## 10. MANUALS

10.1 **The Manuals and Furnishings to Franchisee**. In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under the Network In Action System, Franchisee shall operate the Franchised Business in accordance with the standards, specifications, methods, policies, and procedures specified in the Manuals, which Franchisee shall receive on loan from Franchisor, in a manner chosen by Franchisor, via electronic access, hard copy volumes, computer disks, videotapes, or otherwise, including such amendments thereto, as Franchisor may publish from time to time, upon completion by Franchisee of Initial Training. Franchisee expressly acknowledges and agrees that Franchisor may provide a portion or all (including updates and amendments) of the Manuals, and other instructional information and materials in, or via, electronic media, including without limitation, the use of the Internet.

10.2 **The Manuals are Proprietary and Confidential**. Franchisee shall treat the Manuals, any other materials created for or approved for use in the operation of the Franchised Business, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information (both in electronic and other formats) as proprietary and confidential. Franchisee shall not download, copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person, except as authorized in advance by the Franchisor.

10.3 **The Manuals Remain Franchisor's Property**. The Manuals shall remain the sole property of Franchisor and shall be accessible only from a secure place at the Franchisees place of business, and shall be returned to Franchisor, as set forth in Section 17.9 below, upon the termination or expiration of this Agreement.

10.4 **Revisions to the Manuals**. Franchisor may from time to time revise the contents of the Manuals to improve or maintain the standards of the Network In Action System and the efficient operation thereof, or to protect or maintain the goodwill associated with the Proprietary Marks or to meet competition, and Franchisee expressly agrees to comply with each new or changed standard. Franchisee shall insure that the Manuals are kept current at all times. In the event of any dispute as to the contents of the Manuals, the terms of the master copies maintained at the home office of Franchisor shall be

controlling.

10.5 **Part of Agreement**. From the date of the commencement of the Franchised Business, the mandatory specifications, standards and operating procedures prescribed by Franchisor and communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth herein. All references herein to this Agreement shall include the provisions of the Manuals and all such mandatory specifications standards and operating procedures.

## 11. CONFIDENTIAL INFORMATION

11.1 **Agreement with Respect to Confidentiality**. Franchisee acknowledges and agrees that it shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person or entity any confidential information, knowledge, or know-how concerning Franchisor, the Network In Action System, and/or the marketing, management or operations of the Franchised Business that may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, and techniques concerning Franchisor, the Network In Action System, and/or the marketing, management or operations of the Franchised Business shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

11.2 **Individual Covenants of Confidentiality**. Franchisee shall require any personnel having access to any confidential information of Franchisor to execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Franchised Business. Such covenants shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them, the current forms of which are contained in the Manuals.

11.3 **Remedies for Breach**. Franchisee acknowledges that any failure to comply with the requirements of this Section 11 will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

11.4 **Grantback**. Franchisee agrees to disclose to Franchisor all ideas, concepts, methods, techniques, products and services, software applications, and software application improvements conceived or developed by Franchisee, its affiliates, owners or employees during the term of this Agreement relating to the development and/or operation of the Franchised Business. Franchisee hereby grants to Franchisor and agrees to procure from its affiliates, owners or employees a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques, software applications, software application improvements in all businesses operated by Franchisor or its affiliates, franchisees and designees. Franchisor shall have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques, software applications, software application improvements or products. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique, software application or product without obtaining Franchisor's prior written approval.

## 12. ACCOUNTING AND RECORDS

12.1 **Books and Records**. With respect to the operation and financial condition of the Franchised Business, Franchisor may require that Franchisee adopt, until otherwise specified by Franchisor, a fiscal year that coincides with Franchisor's then-current fiscal year, as specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall maintain during the term of this Agreement full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing, including but not limited to: (i) cash receipts journal and general ledger; (ii) cash disbursements schedule; (iii) monthly bank statements, deposit slips and cancelled checks; (iv) all tax returns; (v) invoices (paid and unpaid); and (vi) such other records as Franchisor may from time to time request.

12.2 **Franchisee's Reports to Franchisor**. Franchisee shall:

12.2.1 At Franchisor's option, prepare by the twentieth ($20^{th}$) day after each monthly accounting period any or all of the following: (i) balance sheet, (ii) profit and loss statement, (iii) cash flow statement and (iv) an activity report for the last preceding calendar month, which shall be in the form prescribed by Franchisor. Franchisee shall maintain and submit such statements and reports to Franchisor at the times as Franchisor may designate or otherwise request.

12.2.2 Submit to Franchisor on March 15th of the year following the end of each calendar year, unless Franchisor designates in writing a different due date, during the term of this Agreement, a profit and loss statement for such year and a balance sheet as of the last day of such year. Franchisee shall certify such financial statements to be true and correct. Additionally, Franchisor reserves the right to require Franchisee to prepare (or cause to be prepared) and provide to Franchisor annual financial statements, (that includes a fiscal year-end balance sheet, an income statement of the Franchised Business for such fiscal year reflecting all year-end adjustments, and a statement of changes in cash flow of Franchisee. Franchisee shall provide such additional information, if any, as Franchisor may reasonably require in order for Franchisor to meet its obligations under GAAP.

12.2.3 Franchisee shall maintain its books and records, and provide all statements and reports to Franchisor, using the standard statements, templates, categories, and chart of accounts that Franchisor may provide to Franchisee.

12.2.4 Submit to Franchisor such other periodic reports, forms and records as specified, and in the manner and at the time as specified in the Manuals or as Franchisor shall otherwise require in writing from time to time (including without limitation the requirement that Franchisee provide or make available to Franchisor certain sales and financial information in electronic format and/or by electronic means).

12.3 **Inspection and Audit**. Franchisor reserves the right to examine and copy, at the expense of Franchisor, the books, records, accounts, and/or business tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee.

## 13. MARKETING AND PROMOTION

13.1 **Standards for Marketing**. All advertising, marketing and promotion to be used by Franchisee shall be in such media and of such type and format as Franchisor may approve, shall be conducted in a dignified manner, and shall conform to such standards and requirements as Franchisor may specify. Franchisee shall not use any marketing or promotional plans or materials that are not provided by Franchisor unless and until Franchisee has submitted the materials to Franchisor, pursuant to the procedures and terms set forth in Section 13.4 herein.

13.2 **Franchisor's Approval of Proposed Plans and Materials**. If Franchisee desires to use marketing and promotional plans and materials that have not been provided or previously approved by Franchisor, Franchisee shall submit samples of all such marketing and promotional plans and materials to Franchisor (as provided in Section 24 herein) for prior approval (including prices to be charged). If written notice of approval is not received by Franchisee from Franchisor within five (5) business days of the date of receipt by Franchisor of such samples or materials, Franchisor shall be deemed to have not approved them.

13.3 **Ownership of Advertising Plans and Materials**. Franchisee acknowledges and agrees that any and all copyrights in and to advertising and promotional materials developed by or on behalf of Franchisee which bear the Proprietary Marks shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision. Any advertising, marketing, promotional, public relations, or sales concepts, plans, programs, activities, or materials proposed or developed by Franchisee for the Franchised Business or the Network In Action System and approved by Franchisor may be used by Franchisor and other operators under the Network In Action System of Franchisor without any compensation to Franchisee.

## 14. INSURANCE

14.1 **Insurance**. Franchisee shall procure at its expense and maintain in full force and effect during the term of this Agreement, an insurance policy or policies protecting Franchisee and Franchisor, and their officers, directors, partners and employees against any loss, liability, personal injury, death, or property damage or expense whatsoever arising or occurring upon or in connection with Franchisee's operations and the Franchised Business, as Franchisor may reasonably require for its own and Franchisee's protection. Franchisor and such of its respective affiliates shall be named additional insured in such policy or policies on a primary and noncontributory basis.

14.2 **Coverages**. Such policy or policies shall be written by an insurance company satisfactory to Franchisor in accordance with standards and specifications set forth in the Manuals or otherwise in writing; provided, however, that Franchisor shall have the right to designate from time to time, one or more insurance companies as the insurance carrier(s) for Network In Action Businesses, and if required by Franchisor, Franchisee shall obtain its insurance coverage from the designated insurance company (or companies). The policy or policies shall include, without limitation, at a minimum, general liability, commercial automobile liability, business interruption, property damage and worker's compensation insurance. We may periodically increase or decrease the amounts of coverage required under these insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. The insurance shall cover the acts or omissions of each and every one of the persons who perform services of whatever nature at the Franchised Business, and shall protect against all acts of any persons who patronize the Franchised Business and shall contain a waiver of subrogation against Franchisor. Franchisee shall immediately notify Franchisor, in writing, of any accidents, injury, occurrence or claim that might give rise to a liability or claim against Franchisor or which could materially affect the Franchised Business, and such notice shall be provided no later than the date upon which Franchisee notifies its insurance carrier.

14.3 **Certificates of Insurance**. The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor. At least ten (10) days prior to the commencement of operations of the Franchised Business, and at least ten (10) days prior to any policy renewals, Franchisee shall provide Franchisor with a Certificate of Insurance showing compliance with Franchisor's insurance requirements. Such certificate

shall state that said policy or policies will not be canceled or altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by Franchisee of the obligations under this Section shall not relieve Franchisee of liability under the indemnity provision set forth in this Agreement. Franchisee acknowledges that minimum limits as required above may be modified by Franchisor in its sole discretion from time to time, by written notice to Franchisee.

14.4 **Franchisor's Right to Procure Insurance for Franchisee**. Should Franchisee, for any reason, not procure and maintain such insurance coverage as required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance coverage and to charge same to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

## 15. TRANSFER OF INTEREST

15.1 **Franchisor's Rights to Transfer**. Franchisor shall have the right, without the need for Franchisee's consent, to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, provided that any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Upon any such transfer or assignment, Franchisor shall be under no further obligation hereunder, except for accrued liabilities, if any. If Franchisor transfers or assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the "Network In Action" business or to offer or sell any products or services to Franchisee. In addition, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may sell its assets, its Proprietary Marks, or its Network In Action System; may sell its securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring.

15.2 **No Transfers Without Franchisor's Approval**. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee or the Principals of Franchisee, if Franchisee is not an individual, and that Franchisor has granted this franchise in reliance on Franchisee's or Franchisee's Principals' business skill, financial capacity, and personal character. Accordingly:

15.2.1 Franchisee shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber: (a) the rights and/or obligations of Franchisee under this Agreement; or (b) any material asset of Franchisee or the Franchised Business.

15.2.2 If Franchisee is a corporation or limited liability company, Franchisee shall not, without the prior written consent of Franchisor, issue any voting securities or securities convertible into voting securities, and the recipient of any such securities shall become a Principal under this Agreement, if so approved by Franchisor.

15.2.3 If Franchisee is a partnership or limited partnership, the partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner shall automatically be deemed a Principal under this Agreement.

15.2.4 A Principal shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber any ownership interest of the Principal in Franchisee, as such is identified

in Exhibit B.

15.3 **Conditions on Transfer**. Franchisor shall not unreasonably withhold any consent required by Section 15.2 above. However, if the proposed transfer alone or together with other previous, simultaneous, or proposed transfers would: (a) have the effect of changing control of Franchisee; (b) result in the assignment of the rights and obligations of Franchisee under this Agreement; or (c) transfer the ownership interest in all or substantially all of the assets of the Franchised Business, Franchisor shall have the right to require any or all of the following as conditions of its approval:

15.3.1 All of Franchisee's monetary obligations and all other outstanding obligations to Franchisor, its affiliates, and the approved suppliers of the Network In Action System have been satisfied in full;

15.3.2 Franchisee shall not be in default under any provision of this Agreement, any other agreement between Franchisee and Franchisor or its affiliate, or any approved supplier of the Network In Action System;

15.3.3 Each transferor (and, if the transferor is other than an individual, the transferor and such owners of beneficial interest in the transferor as Franchisor may request) shall have executed a general release in a form satisfactory to Franchisor of any and all claims against Franchisor and its affiliates and their respective officers, directors, agents, and employees;

15.3.4 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Franchisee. Additionally, the transferee and/or such owners of the transferee as Franchisor may request shall guarantee the performance of the transferee's obligations in writing in a form satisfactory to Franchisor;

15.3.5 The transferee shall demonstrate to Franchisor's satisfaction that the terms of the proposed transfer do not place an unreasonable financial or operational burden on the transferee, and that the transferee (or, if the transferee is other than an individual, such owners of beneficial interest in the transferee as Franchisor may request) meets Franchisor's then-current application qualifications (which may include educational, managerial, socially responsible and business standards, as well as good moral character, business reputation, and credit rating); has the aptitude and ability to operate the Franchised Business; absence of conflicting interests; and has adequate financial resources and capital to operate the Franchised Business;

15.3.6 At Franchisor's option, the transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) shall execute the form of franchise agreement then being offered to new Network In Action System franchisees, and such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, higher and/or additional fees;

15.3.7 If so requested by Franchisor, the transferee, at its expense, shall upgrade the Franchised Business, and other equipment to conform to the then-current standards and specifications of new Network In Action Businesses then being established in the Network In Action System, and shall complete the upgrading and other requirements within the time specified by Franchisor.

15.3.8 The transferor shall remain liable for all of the obligations to Franchisor in

connection with the Franchised Business that arose prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

15.3.9 The transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) shall, at the transferee's expense, successfully attend and successfully complete any training programs then in effect upon such terms and conditions as Franchisor may reasonably require;

15.3.10 Franchisee shall pay a transfer fee in an amount equal Seven Thousand Five Dollars ($7,500).

15.3.11 The transferor(s), at the request of Franchisor, shall agree in writing to comply with the covenants set forth in Section 18 below.

15.4 **Additional Terms**. For any transfer not covered by Section 15.3, each transferee (and, if the transferee is not an individual, such Principals of the transferee as Franchisor may request) shall, in addition to the requirement of obtaining Franchisor's consent as provided in Section 15.2, be subject to the requirements of Sections 15.3.3 and 15.3.4 above (with respect to execution of releases and personal guarantees).

15.5 **Right of First Refusal**. If Franchisee or any Principal desires to accept any *bona fide* offer from a third party to purchase Franchisee or any direct or indirect interest in Franchisee, Franchisee or such Principal shall promptly notify Franchisor, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor (or Franchisor's affiliate) shall have the right and option, exercisable within thirty (30) days after receipt of the written transfer request and the required information and documentation related to the offer (including any information that Franchisor may reasonably request to supplement or clarify information provided to Franchisor with the written transfer request), to send written notice to the seller that Franchisor (or Franchisor's affiliate) intends to purchase the seller's interest on the same terms and conditions offered by the third party; provided, however, a spouse, domestic partner, parent or child of the seller shall not be considered a third party for purposes of this Section 15.6. If Franchisor (or Franchisor's affiliate) elects to purchase the seller's interest, closing on such purchase shall occur within forty-five (45) days from the date of notice to the seller of the election to purchase by Franchisor (or Franchisor's affiliate), or, if longer, on the same timetable as contained in the *bona fide* offer.

15.5.1 Any material change thereafter in the terms of the offer from the third party or by Franchisee, or a change in the identity of the third party shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 15.6 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 15, with respect to a proposed transfer.

15.5.2 If the consideration, terms, and/or conditions offered by a third party are such that Franchisor (or Franchisor's affiliate) may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor (or Franchisor's affiliate) may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, Franchisor shall designate an independent appraiser to make a binding determination. The cost of any such appraisal shall be shared equally by Franchisor and Franchisee. If Franchisor (or Franchisor's affiliate) elects to exercise its right under this Section 15.6, Franchisor (or Franchisor's affiliate) shall have the right to set off all amounts due from Franchisee, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

15.6 **Death of a Principal**. Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party acceptable to and approved by Franchisor within twelve (12) months after the death.

15.7 **Permanent Disability of Controlling Principal**. Upon the permanent disability of any Principal with a controlling interest in Franchisee, Franchisor shall have the right to require such interest to be transferred to a third party in accordance with the conditions described in this Section 15 within six (6) months after notice to Franchisee. "**Permanent Disability**" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months; and from which recovery within six (6) consecutive months from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 15.8 as of the date of refusal. Franchisor shall pay the cost of the required examination.

15.8 **Notice to Franchisor of Death or Permanent Disability**. Upon the death or permanent disability of Franchisee or any Principal of Franchisee, such person or his representative shall promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as any *inter vivos* transfer.

15.9 **Limited Exceptions**. Notwithstanding anything to the contrary in this Section 15:

15.9.1 Franchisee shall not be required to pay the transfer fee due under Section 15.3.10 above, if the transferee: (a) is a spouse, parent, or direct lineal descendant or sibling of Franchisee or of a Principal of Franchisee (or more than one of such persons), provided that the transferee has been involved in, and is knowledgeable regarding, the operations of the Franchised Business; (b) is a Principal of Franchisee; or (c); is a transferee under Sections 15.7 or 15.8 above.

15.9.2 If Franchisee is an individual and seeks to transfer this Agreement to a corporation, partnership, or limited liability company formed for the convenience of ownership, the conditions of Sections 15.3.6 (signing a new franchise agreement), 15.3.7 (upgrading the Franchised Business), and 15.3.10 (transfer fee) shall not apply, and Franchisee may undertake such transfer, provided that: (a) Franchisee owns one hundred percent (100%) of the equity interest in the transferee entity; (b) Franchisee and any other Principal(s) personally guarantee, in a written guaranty satisfactory to Franchisor, the performance of the obligations and covenants of the Franchisee under the Franchise Agreement; (c) Franchisee executes a Transfer of Franchise form as prescribed and approved by Franchisor; (d) such transferee entity is newly organized and its business purpose is confined exclusively to operating the Franchised Business under this Agreement; and (e) Franchisee and any other Principal(s) execute any and all other ancillary agreements as Franchisor may require.

15.10 **No Waiver**. The consent of Franchisor to any transfer pursuant to this Section 15 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be a waiver of the right of Franchisor to demand exact compliance with any of the terms of this Agreement by any transferor or transferee.

15.11 **Bankruptcy**. If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of the ownership of Franchisee, Franchisee's obligations and/or rights hereunder and/or any material assets of Franchisee, shall be subject to all of the terms of this Section 15.

15.12 **No Transfers in Violation of Law**. Notwithstanding anything to the contrary in this Agreement, no transfer shall be made if the transferee, any of its affiliates, or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

## 16. DEFAULT AND TERMINATION

16.1 **Automatic Termination**. Franchisee shall be in default under this Agreement, and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; if Franchisee is adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if Franchisee is dissolved; if execution is levied against Franchisee's business or property; if suit to foreclose any lien or mortgage is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

16.2 **Termination Upon Notice**. Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately by giving written notice to Franchisee (in the manner provided under Section 24 hereof), upon the occurrence of any of the following events:

16.2.1 If Franchisee fails to complete all pre-commencement obligations in accordance Section 5.1, or fails to meet the Development Schedule, as set forth in Section 1.5;

16.2.2 If Franchisee or any of its Principals is charged with a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the Network In Action System, the Proprietary Marks, the goodwill associated therewith, or the interest of Franchisor therein;

16.2.3 If Franchisee's action or inaction, at any time, results in the loss of the right or forfeiture of the right to do or transact business in the jurisdiction where the Franchised Business is located;

16.2.4 If Franchisee or any Principal purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 15 hereof;

16.2.5 If Franchisee knowingly maintains false books or records, or knowingly submits any false statements or reports to Franchisor;

16.2.6 If, contrary to the terms of Sections 9 or 10 hereof, Franchisee discloses or divulges the contents of the Manuals or other confidential information provided to Franchisee by Franchisor;

16.2.7 If Franchisee fails to comply with the covenants in Section 18.2 below or fails to timely obtain execution of the covenants required under Section 18.5 and 19.2 below;

16.2.8 If Franchisee misuses or makes any unauthorized use of the Proprietary Marks or any other identifying characteristics of the Network In Action System, or if Franchisee otherwise operates the Franchised Business in a manner that materially impairs the reputation or goodwill associated with the Network In Action System, Proprietary Marks or the rights of Franchisor therein;

16.2.9 If Franchisee, after curing a default pursuant to Sections 16.3 or 16.4 hereof, commits the same default again, whether or not cured after notice;

16.2.10 If Franchisee commits three (3) or more defaults under this Agreement in any twelve (12) month period, whether or not each such default has been cured after notice (this provision in no way limits Section 16.2.9 above);

16.2.11 If Franchisee at any time fails to conduct any Network In Action Group meeting for two (2) consecutive months unless such failure is approved in writing by Franchisor, or excused by *force majeure*;

16.2.12 If Franchisee breaches any material provision of this Agreement which breach is not susceptible to cure.

16.3 **Notice and Opportunity to Cure - 7 Days**. Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least seven (7) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the seven (7) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the seven (7) day period or such longer period as applicable law may require.

16.3.1 If Franchisee fails, refuses, or neglects promptly to pay any monies owing to Franchisor or its affiliates when due; or

16.3.2 If Franchisee refuses to permit Franchisor to inspect the operations of the Franchised Business, books, records, or accounts of Franchisee upon demand.

16.4 **Notice and Opportunity to Cure - 30 Days**. Except as otherwise provided in Sections 16.1, 16.2 and 16.3 of this Agreement, upon any other default by Franchisee, Franchisor may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 24 hereof) stating the nature of the default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to the satisfaction of Franchisor, and by promptly providing proof thereof to Franchisor within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement may terminate without further notice to Franchisee, effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

## 17. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, for any reason whatsoever, including by mutual agreement between the parties, all rights granted hereunder to Franchisee shall terminate, and:

17.1 **Liquidated Damages**. Franchisee confirms that Franchisor will suffer substantial damages by virtue of the termination of this Agreement, including, without limitation, lost Royalty Fees, lost market penetration and goodwill in the Territory, lost opportunity costs and the expense Franchisor will incur in developing another franchise for the Territory, which damages are impractical and extremely difficult to ascertain and/or calculate accurately, and the proof of which would be burdensome and costly, although such damages are real and meaningful to Franchisor and the Network In Action System. Accordingly, in the event that Franchisor terminates this Agreement for Franchisee's default hereunder, Franchisee agrees to pay to Franchisor in a lump sum on the effective date of termination, liquidated damages, which represents a fair and reasonable estimate of Franchisor's foreseeable losses as a result of such termination, and which are not in any way intended to be a penalty, in an amount determined as follows: the Minimum Royalty Fee, as determined by Section 4.2, multiplied by the number of remaining bimonthly periods in the then-current term of this Agreement. Franchisee acknowledges that its obligation to pay Franchisor liquidated damages is in addition to, not in lieu of, Franchisee's obligations to pay other amounts due to Franchisor under this Agreement up to the date of termination and to strictly comply with any other post-termination obligations required hereunder. Should any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement limit Franchisee's ability to pay, and Franchisor's ability to receive, such liquidated damages, Franchisee shall be liable to Franchisor for any and all damages which it incurs, now or in the future, as a result of Franchisee's default under this Agreement.

17.2 **Stop Operating**. Franchisee shall immediately cease operating the Franchised Business and hosting its Network In Action Group meetings, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor in connection with the promotion or operation of any other business. Franchisee shall further promptly take such steps as are necessary to allow Franchisor the ability to conduct the Network In Action Group meetings previously conducted by Franchisee, including but not limited to, the release of membership data to Franchisor and the facilitation of Franchisor's use of Franchisee's Host Venue.

17.3 **Stop Using the Network In Action System**. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the Network In Action System; the Proprietary Mark "Network In Action" and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the Network In Action System. In particular, Franchisee shall cease to use all signs, marketing materials, displays, stationery, forms, products, and any other articles which display the Proprietary Marks used in connection with the Franchised Business.

17.4 **Cancel Assumed Names**. Franchisee shall take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by Franchisee which contains the mark "Network In Action" or any other Proprietary Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

17.5 **Phone Numbers; Directory Listings; Domain Names**. Franchisee shall cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisee while operating the Franchised Business, and shall promptly execute such documents or take such steps necessary to remove reference to the Franchised Business from all trade or business telephone directories, including "yellow" and "white" pages, or at Franchisor's request transfer same to Franchisor. Franchisee hereby authorizes Franchisor to instruct

issuers of any telephone and internet domain name services, and other providers to transfer any such telephone numbers, domain names, websites, addresses, and any other identifiers to Franchisor upon termination of this Agreement, without need for any further approval from Franchisee. Without limiting the foregoing, Franchisee hereby agrees to execute any agreement required by Franchisor in order to implement this Section 17.6. Franchisee shall not use any personal/residential telephone numbers in the operation of the Franchised Business. If Franchisee does so, those numbers will be subject to the provisions of this Section 17.6.

17.6 **No Use of Proprietary Marks in other Businesses**. Franchisee agrees, in the event it continues to operate, or subsequently begins to operate, any other business, not to use any reproduction, counterfeit, copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which, in the sole discretion of Franchisor, is likely to cause confusion, mistake, or deception, or which, in the sole discretion of Franchisor, is likely to dilute the rights of Franchisor in and to the Proprietary Marks. Franchisee further agrees not to utilize any designation of origin, description, or representation (including but not limited to reference to Franchisor, the Network In Action System, or the Proprietary Marks) which, in the sole discretion of Franchisor, suggests or represents a present or former association or connection with Franchisor, the Network In Action System, or the Proprietary Marks.

17.7 **Pay Franchisor All Amounts Due**. Franchisee shall promptly pay all sums owing to Franchisor and its affiliates. In the event of termination for any default of Franchisee, such sums shall include, without limitation, all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default and termination.

17.8 **Return of Manuals and Confidential Information**. Franchisee shall, at its own expense, immediately deliver to Franchisor the Manuals and all other records, computer disks, correspondence, and instructions containing confidential information relating to the operation of the Franchised Business (and any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be the property of Franchisor.

17.9 **Comply with Covenants**. Franchisee and its Principals shall comply with the covenants contained in Section 18.3 of this Agreement.

## 18. COVENANTS

18.1 **Full Time and Best Efforts**. Franchisee covenants that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (or, if Franchisee is not an individual, the Designated Principal) shall devote best efforts to the management and operation of the Franchised Business.

18.2 **During the Agreement Term**. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable, specialized training and confidential information, including information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the Network In Action System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity:

18.2.1 Divert or attempt to divert any present or prospective business or member of any Network In Action Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the Network In Action System; or

18.2.2 Own, maintain, operate, engage in, be employed by, provide any assistance to, or have any more than a one percent (1%) interest in (as owner or otherwise) any Competitive Business (as defined below). A "**Competitive Business**" shall be considered (i) any business providing networking and/or referral services; (ii) any business hosting networking events or meetings, and (iii) any business which is the same or substantially similar to the business carried on at the Franchised Business, namely a business which generates substantially all of its revenue from the provision services similar to those provided in a Network In Action Business under the Network In Action System. Furthermore, Franchisee acknowledges and agrees that Franchisee shall be considered in default under this Agreement and that this Agreement will be subject to termination as provided in Section 16.2.8 herein, in the event that a person in the immediate family (including spouse, domestic partner, parent or child) of Franchisee (or, if Franchisee is other than an individual, each Principal that is subject to these covenants) engages in a Competitive Business that would violate this Section 18.2.3 if such person was subject to the covenants of this Section 18.2.3.

18.3 **After the Agreement and After a Transfer**. Franchisee covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period of three (3) years commencing upon the date of: (a) a transfer permitted under Section 15 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 18.3; or (e) any or all of the foregoing:

18.3.1 Franchisee shall not either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is, or is intended to be, located (i) in the Territory, (ii) within a radius of fifty (50) miles of the Territory, or (iii) within a radius of fifty (50) miles of any other Network In Action Business located anywhere; provided, however, that this provision shall not apply to the operation by Franchisee of any business under the Network In Action System under a franchise agreement with Franchisor;

18.4 **Exception for Ownership in Public Entities**. Sections 18.2.3 and 18.3 shall not apply to ownership by Franchisee of a less than five percent (5%) beneficial interest in the outstanding equity securities of any corporation which has securities registered under the Securities Exchange Act of 1934.

18.5 **Personal Covenants**. At Franchisor's option, Franchisee shall obtain and furnish to Franchisor executed covenants similar in substance to those set forth in this Section 18 (including covenants applicable upon the termination of a person's relationship with Franchisee) and the provisions of Sections 10 and 11 of this Agreement (as modified to apply to an individual) from all personnel employed by Franchisee who have received or will receive training and/or other confidential information. Every covenant required by this Section 18.5 shall be in a form approved by Franchisor, including specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them, the current forms of which shall be contained in the Manuals.

18.6 **Covenants as Independent Clauses**. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 18 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 18.

18.7 **Franchisor's Right to Reduce Scope of the Covenants**. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section 18, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 25 hereof.

18.8 **Covenants Survive Claims**. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 18; provided, however, any claims Franchisee may have against Franchisor may be brought in a separate proceeding. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 18.

18.9 **Injunctive Relief**. Franchisee acknowledges that the foregoing restrictions are reasonable, are not vague or indefinite, and are designed to protect the legitimate business interests of Franchisor and the Network In Action System, and that in the event of a breach of covenants contained in this Section 18, the damage to Franchisor would be difficult to ascertain and, in addition to other rights and remedies, Franchisor shall be entitled to seek injunctive and/or other equitable relief against the violation of any said covenants, together with reasonable attorneys' fees and costs.

## 19. CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP

19.1 **List of Principals**. If Franchisee is a corporation, limited liability company, or partnership, each Principal of Franchisee, and the ownership interest of each Principal in Franchisee, shall be identified in Exhibit B hereto. Franchisee shall maintain a list of all Principals and immediately furnish Franchisor with an update to the information contained in Exhibit B upon any change, which shall be made only in compliance with Section 15 above. As set forth in Section 8.3, the Designated Principal shall at all times have at least a ten percent (10%) interest in Franchisee.

19.2 **Guaranty, Indemnification, and Acknowledgment**. Each Principal shall execute a guaranty, indemnification, and acknowledgment of Franchisee's covenants and obligations under this Agreement in the form attached hereto as Exhibit C.

19.3 **Corporations and Limited Liability Companies**. If Franchisee or any successor to or assignee of Franchisee is a corporation or a limited liability company, Franchisee shall comply with the following requirements:

19.3.1 Franchisee shall be newly organized and its governing documents shall at all times provide that its activities are confined exclusively to operating the Franchised Business.

19.3.2 Franchisee shall, upon request of Franchisor, promptly furnish to Franchisor copies of Franchisee's articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement.

19.3.3 Franchisee shall maintain stop-transfer instructions on its records against the transfer of any equity securities of Franchisee; and each stock certificate or issued securities of Franchisee shall conspicuously include upon its face a statement, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement; provided, however, that the requirements of this Section 19.3.3 shall not apply to a publicly held corporation.

19.4 **Partnerships and Limited Liability Partnerships**. If Franchisee or any successor to or assignee of Franchisee is a partnership or limited liability partnership, Franchisee shall comply with the following requirements:

19.4.1 Franchisee shall be newly organized and its partnership agreement shall at all times provide that its activities are confined exclusively to operating the Franchised Business.

19.4.2 Franchise shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

19.4.3 The partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner.

## 20. TAXES, PERMITS, AND INDEBTEDNESS

20.1 **Taxes**. Franchisee shall promptly pay when due all taxes levied or assessed, including unemployment, personal property and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax, or similar tax or assessment (other than income tax) imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

20.2 **Dispute About Taxes**. In the event of any *bona fide* dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but in no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against any assets of the Franchised Business.

20.3 **Compliance with Laws**. Franchisee shall comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including licenses to do business, fictitious name registrations and sales tax permits.

## 21. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

21.1 **No Fiduciary Relationship**. Franchisee is an independent contractor. Franchisor and Franchisee are completely separate entities and are not fiduciaries, partners, joint venturers, or agents of the other in any sense and neither shall have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement shall be construed to alter the relationship. Franchisee shall be solely responsible for compliance with all federal, state, and local laws, rules and regulations, and for Franchisee's policies, practices, and decisions relating to the operation of the Franchised Business.

21.2 **Public Notice**. During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a franchise agreement from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including exhibiting a notice of that fact in a conspicuous place, the content of which Franchisor reserves the right to specify, including language identifying Franchisee as an independent business in all dealings with members, employees, suppliers and others.

21.3 **No Assumption of Liability**. Nothing in this Agreement authorizes Franchisee to make

any contract, agreement, warranty, or representation on the behalf of Franchisor, or to incur any debt or other obligation in the name of Franchisor; and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Franchisee in its operation of the Franchised Business or for any claim or judgment arising therefrom against Franchisee or Franchisor.

21.4 **Indemnification**.

21.4.1 Franchisee must defend, indemnify, and hold harmless Franchisor and its affiliates, and their successors and assigns, and each of their respective direct and indirect owners, directors, officers, managers, employees, agents, attorneys, and representatives (collectively, the "**Indemnified Parties**"), from and against all Losses (defined below) which any of the Indemnified Parties may suffer, sustain, or incur as a result of a claim asserted or threatened or inquiry made formally or informally, or a legal action, investigation, or other proceeding brought, by a third party and directly or indirectly arising out of the Franchised Business's operation, Franchisee's conduct of business under this Agreement, Franchisee's breach of this Agreement, or Franchisee's noncompliance or alleged noncompliance with any law, ordinance, rule, or regulation, including any allegation that Franchisor or another Indemnified Party is a joint employer or otherwise responsible for Franchisee's acts or omissions relating to Franchisee's employees. Franchisor will promptly notify Franchisee of any claim that may give rise to a claim of indemnity under this provision, provided, however, that its failure to provide such notice will not release Franchisee from its indemnification obligations under this Section except to the extent Franchisee is actually and materially prejudiced by such failure.

21.4.2 Franchisee has the right, upon written notice delivered to the Indemnified Party within 15 days thereafter assuming full responsibility for Losses resulting from such claim, to assume and control the defense of such claim, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of such counsel's fees and disbursements. If (a) the Indemnified Party has been advised by counsel that there are one or more legal or equitable defenses available to it that are different from or in addition to those available to Franchisee and, in the Indemnified Party's reasonable opinion, Franchisee's counsel could not adequately represent the interests of the Indemnified Party because such interests could be in conflict with Franchisee's interests, or (b) Franchisee does not assume responsibility for such Losses in a timely manner or fails to defend a claim with counsel reasonably satisfactory to the Indemnified Party as contemplated above, then the Indemnified Party will have the right to employ counsel of its own choosing, and Franchisee must pay the fees and disbursements of such Indemnified Party's counsel as incurred. In connection with any claim, the Indemnified Party or Franchisee, whichever is not assuming the defense of such claim, will have the right to participate in such claim and to retain its own counsel at such party's own expense. Franchisee or the Indemnified Party (as the case may be) agrees to keep the other reasonably apprised of, and respond to any reasonable requests concerning, the status of the defense of any claim, and Franchisee and the Indemnified Party agree to cooperate in good faith with each other with respect to the defense of any such claim. Franchisee may not, without the Indemnified Party's prior written consent, (1) settle or compromise any claim or consent to the entry of any judgment with respect to any claim which does not include a written release from liability of such claim for the Indemnified Party and its affiliates, direct and indirect owners, directors, managers, employees, agents and representatives, or (2) settle or compromise any claim in any manner that may adversely affect the Indemnified Party other than as a result of money damages or other monetary payments which will be paid by Franchisee. No claim which is being defended in good faith by Franchisee in accordance with this Section may be settled by the Indemnified Party without Franchisee's prior written consent. Notwithstanding anything to the contrary in this Section, if a claim involves the Proprietary Marks, Franchisee agrees that Franchisor has the exclusive right to assume the defense of such claim, at Franchisee's expense with counsel selected by Franchisor, but reasonably satisfactory to Franchisee.

21.4.3 Franchisee has no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's gross negligence, willful misconduct, or willful wrongful omissions, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employment) or Franchisor's failure to compel Franchisee to comply with this Agreement.

21.4.4 For purposes of this Section, "**Losses**" include all obligations, liabilities, damages (actual, consequential, or otherwise), and defense costs that any Indemnified Party incurs. Defense costs include, without limitation, accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, and alternative dispute resolution.

21.4.5 Franchisee's obligations in this Section 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 any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against Franchisee under this Section. Franchisee agrees 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 Franchisee under this Section.

## 22. APPROVALS AND WAIVERS

22.1 **Approval Requests**. Whenever this Agreement requires the prior authorization, approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing.

22.2 **Non-waiver**. No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

## 23. WARRANTIES OF OPERATOR

23.1 **Reliance by Franchisor**. Franchisor entered into this Agreement in reliance upon the statements and information submitted to Franchisor by Franchisee in connection with this Agreement. Franchisee represents and warrants that all such statements and information submitted by Franchisee in connection with this Agreement are true, correct and complete in all material respects. Franchisee agrees to promptly advise Franchisor of any material changes in the information or statements submitted.

23.2 **Compliance with Laws**. Franchisee represents and warrants to Franchisor that neither Franchisee (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated

with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

## 24. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

## 25. ENTIRE AGREEMENT

Franchisor and Franchisee, and any Principal, each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement. Recognizing the costs on both Franchisor and Franchisee which are uncertain, Franchisor and Franchisee each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings which have been or may in the future be, exchanged between them, serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, Franchisor and Franchisee agree and promise each other that this Agreement supercedes and cancels any prior and/or contemporaneous discussions or writings (whether described as representations, inducements, promises, agreements or any other term), between Franchisor or anyone acting on its behalf and Franchisee or anyone acting on its behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such term) with respect to the rights and obligations of Franchisor and Franchisee or the relationship between them. Franchisor and Franchisee agree and promise each other that they have placed, and will place, no reliance on any such discussions or writings. In accordance with the foregoing, it is understood and acknowledged that this Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede any prior agreements, no other representations having induced Franchisee to execute this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Section 25 is intended to disclaim any of the information contained in Franchisor's Franchise Disclosure Document or its attachments or exhibits.

## 26. SEVERABILITY AND CONSTRUCTION

26.1 **Severable Parts**. Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

26.2 **Terms Surviving this Agreement**. Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause), shall survive such expiration, termination or assignment.

26.3 **No Rights on Third Parties**. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, officers, directors, shareholders, agents, and employees of Franchisor, and such successors and assigns of Franchisor as may be contemplated by Section 15 hereof, any rights or remedies under or by reason of this Agreement.

26.4 **Full Scope of Terms**. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

26.5 **Franchisor's Application of its Rights**. Franchisor shall have the right to operate, develop and change the Network In Action System in any manner that is not specifically precluded by this Agreement. Whenever Franchisor has reserved in this Agreement a right and/or discretion to take or withhold an action, or is deemed to have a right and/or discretion to take or withhold an action, or a right to grant or decline to grant Franchisee a right to take or omit an action, Franchisor may make its decision or exercise its rights, on the basis of the information readily available to Franchisor, and in its judgment of what is in Franchisor's best interests and/or in the best interests of Franchisor's franchise network, at the time its decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by Franchisor; (ii) the decision or action of Franchisor will promote its financial or other individual interests; (iii) Franchisor's decision or the action it take applies differently to Franchisee and one or more other franchisees or Franchisor's company-owed operations; or (iv) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor rights or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

## 27. APPLICABLE LAW AND DISPUTE RESOLUTION

27.1 **Governing Law**. This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed under the laws of the State of Texas. In the event of any conflict of law, the laws of Texas shall prevail, without regard to, and without giving effect to, the application of Texas conflict of law rules. Nothing in this Section 27.1 is intended by the parties to subject this Agreement to (i) any franchise or similar law, rule or regulation of the State of Texas or of any other state to which it would not otherwise be subject or (ii) any laws of the State of Texas which would affect the enforceability of Section 27.8 to which it would not otherwise be subject.

27.2 **Non-Binding Mediation**. Before any party may bring an action in arbitration or in court against the other, the parties must first meet to mediate the dispute (except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks or Confidential Information). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. All mediation proceedings will be conducted at a suitable location chosen by the mediator, which is within a five (5) mile radius of Franchisor's then current principal place of business, unless Franchisor agrees otherwise in writing.

Notwithstanding anything to the contrary, this Section 27.2 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation. Mediation hereunder shall be concluded within forty five (45) days of Franchisee's receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Franchisor and Franchisee shall each bear its own costs of mediation, and each shall bear one-half (½) the cost of the mediator or mediation service. This Section 27.2 mandating non-binding mediation shall not be applicable to any claim or dispute arising under this Agreement or any other agreement between the parties which relates to the failure to pay fees or other monetary obligation(s) of either party under said agreement(s).

27.3 **Arbitration**. Franchisor and Franchisee agree that, subject to Section 27.2 herein, and except for controversies, disputes, or claims related to or based on improper use of the Proprietary Marks or Confidential Information, all controversies, disputes, or claims between Franchisor and Franchisor's affiliates, and Franchisor's and their respective shareholders, members, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) arising out of or related to:

(1) this Agreement or any other agreement between Franchisee and Franchisor;

(2) Franchisor's relationship with Franchisee;

(3) the validity of this Agreement or any other agreement between Franchisee and Franchisor; or

(4) any Network In Action System Standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association in the United States ("AAA"). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA's then current rules. All proceedings will be conducted at a suitable location chosen by the arbitrator, which is within a five (5) mile radius of Franchisor's then current principal place of business. The arbitrator shall have no authority to select a different hearing locale. All matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

27.3.1 The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs (as allowable under this Agreement or applicable law), provided that the arbitrator may not declare any Proprietary Mark generic or otherwise invalid or, as expressly provided in Section 27.7 below, award any punitive, exemplary or multiple damages against either party.

27.3.2 Franchisor and Franchisee agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Franchisor and Franchisee further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the United States Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not

consider any settlement discussions or offers that might have been made by either Franchisee or Franchisor.

27.3.3 Franchisor and Franchisee agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Franchisor and Franchisor's affiliates, and Franchisor's and their respective shareholders, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between Franchisor and any other person.

27.3.4 Despite Franchisor's and Franchisee's agreement to arbitrate, Franchisor and Franchisee each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Franchisor and Franchisee must contemporaneously submit Franchisor's dispute for arbitration on the merits as provided in this Section 27.3.

27.3.5 The provisions of this Section are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

27.4 **Consent to Jurisdiction**. Subject to the mediation and arbitration obligations in Sections 27.2 and 27.3, any judicial action must be brought in a court of competent jurisdiction in the state, and in (or closest to) the county, where Franchisor's headquarters are then located. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to such jurisdiction or venue. Notwithstanding the foregoing, Franchisor may bring an action for a temporary restraining order or for temporary or preliminary injunctive relief, or to enforce an arbitration award or judicial decision, in any federal or state court in the county in which Franchisee resides or the Franchised Business is located.

27.5 **No Rights Exclusive of Other Rights**. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy provided herein or permitted by law or equity, but each shall be cumulative of every other right or remedy.

27.6 **WAIVER OF JURY TRIAL**. FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER A LEGAL ACTION, IN MEDIATION, OR IN ARBITRATION.

27.7 **WAIVER OF PUNITIVE DAMAGES**. FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER.

27.8 **Limitation**. The parties agree that, except as provided below, no mediation or arbitration proceeding, action or suit (whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense or otherwise) by either party will lie against the other (nor will any action or suit by Franchisee against any person and/or entity affiliated with Franchisor), whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other claim of any type, unless such party will have commenced such mediation or arbitration proceeding, action or suit before the expiration of the earlier of: (a) One hundred eighty (180) days after the date upon which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or (b) One (1) year after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

27.8.1 Notwithstanding the foregoing limitations, where any federal, state or provincial law provides for a shorter limitation period than above described, whether upon notice or otherwise, such shorter period will govern.

27.8.2 The foregoing limitations may, where brought into effect by Franchisor's failure to commence an action within the time periods specified, operate to exclude Franchisor's right to sue for damages but will in no case, even upon expiration or lapse of the periods specified or referenced above, operate to prevent Franchisor from terminating Franchisee's rights and Franchisor's obligations under this Agreement as provided herein and under applicable law nor prevent Franchisor from obtaining any appropriate court judgment, order or otherwise which enforces and/or is otherwise consistent with such termination.

27.8.3 The foregoing limitations shall not apply to Franchisor's claims arising from or related to: (1) Franchisee's under-reporting of Gross Revenues; (2) Franchisee's under-payment or non-payment of any amounts owed to Franchisor or any affiliated or otherwise related entity; (3) indemnification by Franchisee; (4) Franchisee's confidentiality, non-competition or other exclusive relationship obligations; and/or (5) Franchisee's unauthorized use of the Proprietary Marks.

27.8.4 In the event that any law of the State of Texas affecting the enforceability of this Section 27.8 is found applicable, the first sentence of this Section 27.8 shall be amended to read as follows: The parties agree that, except as provided below, no mediation or arbitration proceeding, action or suit (whether by way of claim, counterclaim, cross-complaint, raised as an affirmative defense or otherwise) by either party will lie against the other (nor will any action or suit by Franchisee against any person and/or entity affiliated with Franchisor), whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other claim of any type, unless such party will have commenced such mediation or arbitration proceeding, action or suit before expiration of two (2) years and a day after the cause of action has accrued.

27.8.5 In no way limiting Section 26.4, if any lawful requirement or court order of any jurisdiction makes any provision of this Section 27.8 invalid, void or unenforceable, such provision shall be modified in order to make the modified provision enforceable to the greatest extent possible. The parties agree to be bound by the modified provision to the greatest extent lawfully permitted.

27.9 **WAIVER OF RICO**. THE PARTIES HERETO AGREE TO WAIVE, NOW AND FOREVER, ANY AND ALL RIGHTS EITHER MAY HAVE UNDER THE FEDERAL STATUTE KNOWN AS RICO.

27.10 **Injunctive Relief**. Nothing herein contained shall bar the right of Franchisor to obtain injunctive relief against threatened conduct that will cause it loss or damages, including violations of the terms of Sections 9, 10, 11, 15, and 18 under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

27.11 **Release**. By executing this Agreement, Franchisee, for itself and its affiliates, and for its and its affiliates' directors, officers, shareholders, partners, members, managers, employees and agents, and for the predecessors, successors, assigns, heirs, administrators and executors of it and any and all of them (collectively, the "Franchisee Parties"), hereby release, remise, acquit, and forever discharge Franchisor, its affiliates, its and its affiliates' directors, officers, shareholders, partners, members, managers, employees and agents, and the predecessors, successors, assigns, heirs, administrators and executors of it and any or all of them (collectively, the "Franchisor Parties"), from and against any and all obligations, debts, liabilities, demands, claims, actions, causes of action, loss, losses, damage and damages (actual, consequential, multiplied, exemplary, enhanced, punitive, or otherwise), of any nature or

kind, contingent or fixed, known or unknown, at law or in equity or otherwise, for any matter, of whatever source or origin, arising out of or related to any and all transactions of any kind or character, at any time prior to and including the Effective Date, including, but not limited to, any and all claims arising under the franchise, securities or antitrust laws of the United States or of any state, province or territory thereof. Franchisee covenants, warrants, and agrees that it has the authority to bind the Franchisee Parties (as herein defined) as provided herein. Franchisee, on behalf of itself and the Franchisee Parties, further covenants not to sue any of the Franchisor Parties on any of the claims released by the foregoing and represents that it has not assigned any such claims to any individual or entity who is not bound by the foregoing.

27.12 **Counterparts; Paragraph Headings; Pronouns**. This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument. All captions and paragraph headings in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof. Each pronoun used herein shall be deemed to include the other number of genders.

27.13 **Security Interest**. Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interest in all leasehold improvements, furniture, furnishings, fixtures, equipment, inventory and supplies located at or used in connection with the Franchised Business, now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions and replacements therefore, and all cash and non-cash proceeds derived from insurance or the disposition of such collateral, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, of Franchisee to Franchisor. Franchisee agrees to execute and deliver to Franchisor in a timely manner all financial statements and other documents necessary or desirable to evidence, perfect and continue the priority of such security interests under the Uniform Commercial Code.

27.14 **Attorneys' Fees**. In the event Franchisor is required to employ legal counsel or to incur other expense to enforce any obligation of Franchisee hereunder, or to defend against any claim, demand, action or proceeding by reason of Franchisee's failure to perform any obligation imposed upon Franchisee by this Agreement, Franchisor shall be entitled to recover from Franchisee the amount of all reasonable attorneys' fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

## 28. ACKNOWLEDGMENTS

28.1 **FRANCHISEE'S INVESTIGATION OF THE BUSINESS POSSIBILITIES**. FRANCHISEE ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS OF OPERATING A NETWORK IN ACTION BUSINESS, AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE (OR, IF FRANCHISEE IS A CORPORATION, PARTNERSHIP OR LIMITED LIABILITY COMPANY, THE ABILITY OF ITS PRINCIPALS) AS (AN) INDEPENDENT BUSINESSPERSON(S). FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT. FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT CONTAINS ALL ORAL AND WRITTEN AGREEMENTS, REPRESENTATIONS AND ARRANGEMENTS BETWEEN THE PARTIES, AND ANY RIGHTS WHICH THE RESPECTIVE PARTIES HERETO MAY HAVE HAD UNDER ANY OTHER PREVIOUS CONTRACT (WHETHER ORAL OR

WRITTEN) ARE HEREBY CANCELLED AND TERMINATED, AND NO REPRESENTATIONS OR WARRANTIES ARE MADE OR IMPLIED, EXCEPT AS SPECIFICALLY SET FORTH HEREIN. FRANCHISEE FURTHER ACKNOWLEDGES THAT IT HAS NOT RECEIVED OR RELIED ON ANY REPRESENTATIONS ABOUT THE FRANCHISE BY THE FRANCHISOR, OR ITS OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS, THAT ARE CONTRARY TO THE STATEMENTS MADE IN THE FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT OR TO THE TERMS AND CONDITIONS CONTAINED HEREIN, AND FURTHER REPRESENTS TO THE FRANCHISOR, AS AN INDUCEMENT TO ENTRY INTO THIS AGREEMENT, THAT FRANCHISEE HAS MADE NO MISREPRESENTATIONS IN OBTAINING THE FRANCHISE.

28.2 **Receipt of FDD and Complete Agreement**. Franchisee acknowledges that it received a complete copy of this Agreement, the attachments hereto, and agreements relating thereto, if any, at least seven (7) calendar days prior to the date on which this Agreement was executed. Franchisee further acknowledges that it received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising", otherwise known as the Franchise Disclosure Document (**FDD**), at least fourteen (14) calendar days prior to the date on which this Agreement was executed or any payment by Franchisee for the franchise rights granted under this Agreement. Franchisee further acknowledges that prior to receiving Franchisor's FDD, Franchisor advised Franchisee of the formats in which the FDD is made available, and any conditions necessary for reviewing the FDD in a particular format.

28.3 **Franchisee Read the Agreement and Consulted**. Franchisee acknowledges that it has read and understood Franchisor's FDD and this Agreement, the attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

28.4 **Franchisee's Responsibility for Operation of Business**. Although Franchisor retains the right to establish and periodically modify Network In Action System standards, which Franchisee has agreed to maintain in the operation of the Franchised Business, Franchisee retains the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of Network In Action System standards at the Franchised Business. Franchisee acknowledges that it is solely responsible for all aspects of the Franchised Business's operations, including employee and human resources matters. Franchisee further acknowledges that any controls implemented by Franchisor are for the protection of the Network In Action System and the Proprietary Marks and not to exercise any control over the day-to-day operation of the Franchised Business.

28.5 **Sole and Exclusive Employer**. Franchisee hereby irrevocably acknowledges, affirms, attests and covenants that Franchisee's employees are employed exclusively by Franchisee and in no fashion are any such employees employed, jointly employed or co-employed by Franchisor. Franchisee further acknowledges, affirms and attests that each of Franchisee's employees is under Franchisee's exclusive dominion and control and never under Franchisor's direct or indirect control in any fashion whatsoever. Franchisee alone hires each of Franchisee's employees; sets their schedules; establishes their compensation rates; and pays all salaries, benefits and employment-related liabilities (such as workers' compensation insurance premiums/payroll taxes/Social Security contributions/unemployment insurance premiums). Franchisee alone has the ability to discipline or terminate Franchisee's employees to the exclusion of Franchisor, and Franchisee acknowledges that Franchisor has no such authority or ability. Franchisee further acknowledges, attests and affirms that any minimum staffing requirements established by Franchisor are solely for the purpose of ensuring that the Franchised Business is at all times staffed at those levels necessary to operate the Franchised Business in conformity with the Network In Action

System and other Network In Action Business brand attributes known to and desired by the consuming public and associated with the Proprietary Marks. Franchisee acknowledges, affirms, warrants and understands that Franchisee may staff the Franchised Business with as many employees as Franchisee desires at any time so long as Franchisor's minimal staffing levels are achieved. Franchisee also acknowledges, affirms and attests that any recommendations Franchisee may receive from Franchisor regarding salaries, hourly wages or other compensation for employees are recommendations only, and that Franchisee is entirely free to disregard Franchisor's recommendations regarding such employee compensation. Moreover, Franchisee acknowledges, affirms and attests that any training provided by Franchisor to Franchisee's employees is for the purpose of imparting critical Network In Action System and brand information to those employees, and in no fashion reflects any employment relationship between Franchisor and such employees. Finally, should it ever be asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agrees to assist Franchisor in defending such allegations, including (if necessary) appearing at any venue requested by Franchisor to testify on Franchisor's behalf (and, as may be necessary, submitting to depositions, other appearances and/or preparing affidavits dismissive of any allegation that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees). To the extent Franchisor is the only named party in any such investigation, action, proceeding, arbitration or other setting to the exclusion of Franchisee, should any such appearance by Franchisee be required or requested, Franchisor will recompense Franchisee the reasonable costs associated with Franchisee appearing at any such venue.

28.6 **No Conflicting Obligations**. Each party represents and warrants to the other that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

28.7 **Different Franchise Offerings to Others**. Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

28.8 **Good Faith**. Franchisor and Franchisee acknowledge that each provision in this Agreement has been negotiated by the parties hereto in good faith and the Agreement shall be deemed to have been drafted by both parties. It is further acknowledged that both parties intend to enforce every provision of this Agreement, including, without limitation, the provisions related to arbitration and choice of venue, regardless of any state law or regulation purporting to void or nullify any such provision.

28.9 **Success Depends on Franchisee**. Franchisee acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Franchisee's ability as an independent businessperson, its active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. Franchisor does not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

28.10 **Patriot Act**. Franchisee represents and warrants that to its actual knowledge: (i) neither Franchisee, nor its officers, directors, managers, members, partners or other individual who manages the affairs of Franchisee, nor any Franchisee affiliate or related party, or any funding source for the Franchised Business, is identified on the lists of Blocked Persons, Specially Designated Nationals, Specially Designated Terrorists, Specially Designated Global Terrorists, Foreign Terrorists Organizations, and Specially Designated Narcotics Traffickers at the United States Department of Treasury's Office of Foreign Assets Control (OFAC), or the Uniting and Strengthening America by Providing Appropriate

Tools Required to Intercept and Obstruct Terrorism Act of 2001, commonly known as the "USA Patriot Act," as such lists may be amended from time to time (collectively, "**Blocked Person(s)**"); (ii) neither Franchisee nor any Franchisee affiliate or related party is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government; (iii) neither Franchisee nor any Franchisee affiliate or related party is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo; (iv) neither Franchisee nor any Franchisee affiliate or related party are on the United States Department of Commerce Denied Persons, Entity and Unverified Lists, or the United States Departments of State's Debarred List, as such lists may be amended from time to time (collectively, the "**Lists**"); (v) neither Franchisee nor any Franchisee affiliate or related party, during the term of this Agreement, will be on any of the Lists or identified as a Blocked Person; and (vi) during the term of this Agreement, neither Franchisee nor any Franchisee affiliate or related party will sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists or identified as a Blocked Person. Franchisee agrees to notify Franchisor in writing immediately upon the occurrence of any act or event that would render any of these representations incorrect.

28.11 **No Guarantees**. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received nor relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement.

28.12 **Signature**. Delivery of a copy of this Agreement bearing (i) an original signature by facsimile transmission, (ii) an original signature by electronic mail in "portable document format" form or (iii) an electronic signature facilitated by a digital transaction management services provider (such as DocuSign), shall have the same effect as physical delivery of the paper document bearing the original signature.

[SIGNATURE PAGE FOLLOWS]

**NETWORK IN ACTION INTL. LLC**
**FRANCHISE AGREEMENT**
**SIGNATURE PAGE**

**IN WITNESS WHEREOF**, the parties hereto have duly executed and delivered this Franchise Agreement in duplicate on the day and year first above written.

**FRANCHISOR:**
**NETWORK IN ACTION INTL. LLC**

By:_____
Name:_____
Title:_____

Address for Notices:

Scott Talley
Network In Action Intl. LLC
770 S. Post Oak Lane, Suite 105
Houston, Texas 77056
Telephone: (713) 417-6152

With copy to:

Wayne P. Bunch, Jr., Esq.
FisherBroyles, LLP
Richmond Avenue
Suite 1200
Houston, Texas 77098
Telephone: (713) 955-4080
Fax: (940) 241-9482

**FRANCHISEE:**
_____

By:_____
Name:_____
Title:_____

Address for Notices:

_____
_____
_____
Telephone:_____
Attn:_____

**NETWORK IN ACTION INTL. LLC**
**FRANCHISE AGREEMENT**
**EXHIBIT A**
**DATA SHEET**

1. **Territory**: The Territory shall be (subject to the terms of the Agreement, including, but not limited to, Section 1.3 and 1.7 of the Franchise Agreement) as follows:

_____
_____
_____
_____

2. **Franchise Fee**: The Franchisee Fee, in accordance with Section 4.1 of the Franchise Agreement, is: _____.

**FRANCHISOR:**
**NETWORK IN ACTION INTL. LLC**

By:_____
Name:_____
Title:_____

**FRANCHISEE:**
_____

By:_____
Name:_____
Title:_____

**NETWORK IN ACTION INTL. LLC**
**FRANCHISE AGREEMENT**
**EXHIBIT B**
**LIST OF PRINCIPALS AND DESIGNATED PRINCIPAL**

**FRANCHISEE'S PRINCIPALS**

The following identifies all of Franchisee's Principals (as defined in Section 6.1 of the Franchise Agreement), including each Principals address and percentage of beneficial interest in Franchisee:

| Name of Principal | Address, Telephone, E-mail | Interest (%) with Description |
|---|---|---|
| | | |
| | | |
| | | |
| | | **Total %:** |

**FRANCHISEE'S DESIGNATED PRINCIPAL**

The following identifies Franchisee's Designated Principal (as defined in Section 8.3.1 of the Franchise Agreement), including his/her contact information and percentage of beneficial interest in Franchisee:

| Name of Designated Principal | Address, Telephone, E-mail | Interest (%) with Description |
|---|---|---|
| | | |

**FRANCHISOR:**
**NETWORK IN ACTION INTL. LLC**

By:_____
Name:_____
Title:_____

**FRANCHISEE:**
_____

By:_____
Name:_____
Title:_____

**NETWORK IN ACTION INTL. LLC**
**FRANCHISE AGREEMENT**
**EXHIBIT C**
**GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGMENT**

As an inducement to Network In Action Intl. LLC ("**Franchisor**") to enter into the Franchise Agreement between Franchisor and _____("**Franchisee**"), dated _____, 20____ (the "**Agreement**"), the undersigned hereby unconditionally guarantees to Franchisor and Franchisor's successors and assigns that all of Franchisee's covenants and obligations, including, without limitation, monetary obligations, under the Agreement will be punctually paid and performed. This Guaranty, Indemnification, and Acknowledgment (this "**Guaranty**") is an unconditional, irrevocable and absolute guaranty of payment and performance and may not be cancelled, terminated, modified, or amended except by written agreement executed by both parties.

Upon demand by Franchisor, the undersigned hereby agrees to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guaranty, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned hereby waives notice of same and agrees to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned hereby acknowledges and expressly agrees to be personally bound by all of the covenants contained in the Agreement, including, without limitation, those covenants contained in Sections 10, 11, 15, 17, and 18. Signature by the undersigned on this Guaranty constitutes the undersigned's signature on the Agreement related to all covenants. The undersigned asserts that he or she has read such covenants, been advised by counsel regarding their effect, and hereby affirmatively agree to them in order to secure the rights granted to Franchisee by Franchisor under the Agreement. The undersigned further acknowledges and agrees that this Guaranty does not grant the undersigned any right to use the "Network In Action" marks or system licensed to Franchisee under the Agreement.

This Guaranty shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guaranty, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors, if any, will continue in full force and effect.

The undersigned, if more than one, shall be jointly and severally liable hereunder and the term "undersigned" shall mean the undersigned or any one or more of them. Anyone signing this Guaranty shall be bound thereto at any time. Any married person who signs this Guaranty hereby expressly agrees that recourse may be had against his/her community and separate property for all obligations under this Guaranty.

The undersigned represents and warrants to Franchisor that neither the undersigned (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this Guaranty shall be in writing and shall be personally delivered, in the manner provided under the Agreement.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with the Agreement. This Guaranty shall be governed by the dispute resolution provisions of the Agreement, and shall be interpreted and construed under the laws of the State of Texas. In the event of any conflict of law, the laws of the State of Texas shall prevail (without regard to, and without giving effect to, the application of Texas conflict of law rules).

**IN WITNESS WHEREOF**, the undersigned has executed this Guaranty, Indemnification and Acknowledgement as of the date of the Agreement.

**GUARANTOR(S):**

_____
Print Name:_____

_____
Print Name:_____

_____
Print Name:_____

_____
Print Name:_____

_____
Print Name:_____

**NETWORK IN ACTION INTL. LLC**
**FRANCHISE AGREEMENT**
**EXHIBIT D**
**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS**

As part of the "**Franchise Agreement**" with Network In Action Intl. LLC (the "**Franchisor**"), the "**Franchisee**" understands that it will receive and make payments which will be processed by Electronic Funds Transfer ("**EFT**") using the Automated Clearing House ("**ACH**") method. The EFT/ACH debit will move funds directly from Franchisor's account into Franchisee's account and from Franchisee's account into Franchisor's account.

The Franchisee hereby authorizes its bank to receive payments via EFT/ACH from the Franchisor, as well as pay and charge to its account EFT/ACH debits and drafts drawn by and payable to the order of the Franchisor. This authorization remains in full force and effective until sixty (60) days after the Franchisor has received written notification from the Franchisee of its termination. Should the bank dishonor any draft or EFT/ACH debit or credit with or without cause, the Franchisee releases the bank from any and all liability.

Franchisee:_____
Designated Principal:_____
Address:_____
City, State, and Zip:_____

Please provide two E-mail addresses for Draft Notices

E-mail:_____ E-mail:_____

Please sign the acknowledgement below and return original via mail along with a VOIDED check sent to the attention of: Scott Talley, Network In Action Intl. LLC, 770 S. Post Oak Lane, Suite 105, Houston, Texas 77056, Tel. (713) 417-6152.

| Financial Institution | Routing Number | Account Number |
|---|---|---|

Signature of Authorized Signer:_____ Date:_____

**Please Attach Actual VOIDED CHECK**

**NETWORK IN ACTION INTL. LLC**
**FRANCHISE AGREEMENT**
**EXHIBIT E**
**FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT**

As you know, Network In Action Intl. LLC (the "**Franchisor**") and you are preparing to enter into a franchise agreement (the "**Franchise Agreement**") for the establishment and operation of a "**Network In Action Business**." The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor ("**Broker**") that have not been authorized, or that were not disclosed in the Franchise Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Network In Action Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Network In Action Business from an existing Franchisee?

Yes _____ No _____

2. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

_____
_____
_____
_____
_____
_____

4. Have you received and personally reviewed the Franchisor's Franchise Disclosure

Document ("Disclosure Document") that was provided to you?

Yes _____ No _____

5. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

6. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

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

_____

_____

_____

_____

_____

_____

7. Have you discussed the benefits and risks of establishing and operating a Network In Action Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

8. Do you understand that the success or failure of your Network In Action Business will depend in large part upon your skills and abilities, competition from other businesses, your management capabilities and other economic, and business factors?

Yes _____ No _____

9. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Network In Action Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating a Network In Action Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue a Network In Action Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating a Network In Action Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Network In Action Business?

Yes _____ No _____

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

Yes _____ No _____

15. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

16. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? _____

_____

If you have answered No to question 8, or Yes to any one of questions 9-16, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 8, and No to each of questions 9-16, please leave the following lines blank.

_____

_____

_____

_____

I signed the Franchise Agreement and Addendum (if any) on _____, 20___, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

The name of the sales person or salespersons that handled this franchise sale was:

_____

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

_____

_____

_____

_____

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

(i) a person or entity listed in the Annex to the Executive Order;

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this _____ day of _____, 20____.

INDIVIDUAL

_____
Signature
Print Name:_____

_____
Signature
Print Name:_____

_____
Signature
Print Name:_____

_____
Signature
Print Name:_____

CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP

_____
Print Name of Legal Entity

By:_____
Signature
Print Name:_____
Title:_____

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

**EXHIBIT D**
**NON-USE AND NON-DISCLOSURE AGREEMENT**

This Non-Use and Non-Disclosure Agreement (this "**Agreement**") is entered into by and among _____, whose address is _____, _____, _____ _____, (collectively, together with all affiliates, representatives and agents, referred to as "**Interested Party**") and Network In Action Intl. LLC, a Texas limited liability company, whose address is 770 S. Post Oak Lane, Suite 105, Houston, Texas 77056 (the "**Company**").

WHEREAS, the Interested Party is interested in entering into a business relationship with the Company; and the Company is interested in entering into a business relationship with the Interested Party; and

WHEREAS, in connection with evaluating the viability of such a business relationship, the Company is furnishing and will furnish the Interested Party with information related to Company and/or its business, including without limitation, financial information, operating information, processes, procedures, corporate and business information, documentation and agreements, including without limitation a franchise disclosure document, that contain confidential and proprietary information (all of the forgoing together with all attachments, addenda, exhibits and other agreements described or referred to in any of the forgoing is herein referred to as the "**Information**").

For good and valuable consideration, including without limitation the Company's furnishing the Interested Party with the Information, the Interested Party has agreed and does hereby agree that:

1. Nondisclosure Obligations. Interested Party will keep the Information confidential, and Interested Party will not, without the Company's prior written consent disclose the Information, whether in whole or in part, directly or indirectly, except as expressly permitted hereunder. The Interested Party will not use the Information for any purpose other than evaluating the viability of entering into a business relationship with Company (the "**Purpose**"). Interested Party will not use all or any of the Information, or allow all or any of the Information to be used, for any reason other than the Purpose. The Interested Party (a) will not disclose the Information to any employee, agent, or representative of Interested Party unless such person needs access to the Information in order to facilitate the Purpose and executes a nondisclosure agreement with the Interested Party, with terms no less restrictive than those of this Agreement; and (b) will not disclose the Information to any other third party without the Company's prior written consent. The Interested Party is responsible for any breach of this Agreement by any party that receives any of the Information, either directly or indirectly, from the Interested Party. The Interested Party will promptly notify the Company of any misuse or misappropriation of the Information that comes to the Interested Party's attention.

2. Additional Nondisclosure Obligations. Without the Company's prior written consent, except where otherwise required by law (such requirements to be confirmed by a written legal opinion of the Interested Party's counsel), the Interested Party will not disclose to any person the fact that the Information has been made available, that discussions or negotiations are taking place or have taken place concerning a possible transaction involving the Interested Party and the Company, or any of the terms, conditions or other facts with respect to any such possible transaction, including the status thereof. If Interested Party is required by law to disclose all or any of the Information and such requirements are confirmed by a written legal opinion of the Interested Party's counsel, Interested Party shall reasonably cooperate with Company in any effort to seek a protective order or otherwise contest such required disclosure, at Company's expense. The Interested Party shall give Company prompt notice of any such legal or governmental demand for the Information.

3. Injunction. The Interested Party agrees that breach of this Agreement would cause the Company irreparable injury, for which monetary damages would not provide adequate compensation, and for which other remedies at law may be inadequate to protect the Company against a breach of this Agreement, and that in addition to any other remedy, the Company will be entitled to injunctive relief against such breach or threatened breach, without proving actual damage or posting a bond or other security, which requirements are hereby expressly waived by the Interested Party.

4. Retention of Rights. This Agreement does not transfer ownership of the Information or grant a license thereto. Company will retain all right, title, and interest in and to all Information.

5. No Waiver. Neither party will be deemed to have waived any of its rights under this Agreement by lapse of time, or by any statement or representation other than a written waiver executed by the party seeking to waive its rights hereunder.

6. Authority. The undersigned parties each represent and warrant that such party has the power and authority to execute this agreement on behalf of the Interested Party or the Company, as is applicable. The Interested Party represents and warrants that he or she has all necessary authorizations, consents and agreements to bind the Interested Party to the terms and conditions contained herein.

7. Jurisdiction; Applicable Law. You agree that any lawsuit brought the Company to enforce its rights under this Agreement shall be brought in the courts of the County where the Company has its then current principal place of business, and you agree and consent to the jurisdiction of such court to resolve all disputes which arise out of this Agreement or any alleged breach thereof, regardless of your residency at the time such lawsuit is filed. This Agreement shall be governed by the laws of the State of Texas. In the event of any conflict of law, the laws of Texas shall prevail, without regard to, and without giving effect to, the application of Texas conflict of law rules.

8. Severability. To the extent permitted by applicable law, the parties hereby waive any provision of law that would render any clause of this Agreement invalid or otherwise unenforceable in any respect. In the event that a provision of this Agreement is held to be invalid or otherwise unenforceable, such provision will be interpreted to fulfill its intended purpose to the maximum extent permitted by applicable law, and the remaining provisions of this Agreement will continue in full force and effect.

9. Survival. The provisions of this Agreement will survive any termination or expiration of the relationship of the parties hereto.

10. Counterparts. This Agreement may be executed and delivered (including by facsimile or Portable Document Format (pdf) transmission) in any number of counterparts with the same effect as if all signatories had signed the same document. Facsimile and other electronic copies of manually signed originals shall have the same effect as manually-signed originals and shall be binding on the undersigned parties. Each counterpart shall be deemed an original, but all counterparts must be construed together to constitute one and the same instrument.

WITNESS the execution thereof, this _____ day of _____, 20___.

COMPANY:
NETWORK IN ACTION INTL. LLC

By:_____
Name and Title:_____

INTERESTED PARTY:

Signature:_____
Printed Name:_____

**EXHIBIT E**
**LIST OF FRANCHISEES**

**FRANCHISEES OPERATING AS OF DECEMBER 31, 2021:**

**California**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Lauren Pontier | lauren@networkinaction.com | Lauren Pontier | 925-413-7062 |

**Colorado**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Kevin & Valerie Brooks | kevin@networkinaction.com | Prime Networking | 970-216-9288 |
| Simon Zryd | simon@networkinaction.com | NIA Power Connectors | 720-722-3585 |

**Florida**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Deeawn Roundtree | Deeawn@networkinaction.com | Roundtree Training & Consulting | 484-467-1051 |

**Georgia**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Stacey Apple | stacey@networkinaction.com | Buckhead Legends | 917-806-3519 |
| Steve Gard | steve@networkinaction.com | Network In Action - Atlanta | 404-386-1986 |

**Idaho**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Scott Marker | scottmm@networkinaction.com | Network In Action – Treasure Valley | 208-546-8558 |

**Maryland**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Jory Fisher | jory@networkinaction.com | Jory Fisher & Associates, Inc. | 434-258-6793 |
| Sumair Abro | sumair@networkinaction.com | Inner Gauge | 443-789-2705 |

**Massachusetts**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Sandra Kearney | sandy@networkinaction.com | NIA Best of Boston | 774-573-0968 |

**Minnesota**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Kimberly Tsoukalas | kimt@networkinaction.com | NIA Twin Cities | 612-314-9022 |
| Tami Roquet | tami@networkinaction.com | Legacy Connections | 651-231-8195 |

**Ohio**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Julie Rowland | julie@networkinaction.com | Quadrivium Advisor, Inc. | 513-659-5728 |

**Oregon**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Lisa McClease-Kelly | lisamcclease@networkinaction.com | Coach Lisa Mk | 541-660-3339 |

**Pennsylvania**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Steven Greene | steven@networkinaction.com | NIA Delaware Valley | 215-808-7674 |

**South Carolina**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Daniel Andrews | danielandrews@networkinaction.com | NIA South Carolina | 803-361-6825 |

**Tennessee**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Shannon McGee | Shannon@networkinaction.com | Music City Referral Network LLC | 615-210-4257 |

**Texas**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Barbara Anne | barbara.anne@networkinaction.com | Network In Action | 281-507-4439 |
| Brenda James | brenda@networkinaction.com | NIA North | 281-433-3106 |
| Charles Heinzelman | charles@networkinaction.com | Pflugerville NIA | 512-831-8560 |
| Debra Dykes | debby@networkinaction.com | Network In Action – Cy-Fair | 713-303-1810 |
| Ed Hamilton | ed@networkinaction.com | A Players Sugar Land | 832-754-4307 |
| Giselle Bernard | giselle@networkinaction.com | NIA – The Company Profile | 832-317-4505 |
| Kathy Bowersox | kathy@networkinaction.com | NIA Business Force | 713-899-8615 |
| Katrina Keys | katrina@networkinaction.com | Greenway Plaza | 713-304-2307 |
| Janice Perry | janice@networkinaction.com | Network In Action | 832-423-5863 |
| Joyce Strimple | joyce@networkinaction.com | Cougar Connection | 713-703-1126 |
| Luisa Deason | luisa@networkinaction.com | The Accelerator Group | 832-244-2488 |
| Lisa Rosenfeld | lisa@networkinaction.com | Network In Action Galleria | 713-817-8872 |
| Moose Rosenfeld | moose@networkinaction.com | Network In Action Galleria | 713-898-4300 |
| Oscar Maldonado Jr. | oscar@networkinaction.com | Network In Action - Katy | 832-971-0917 |
| Ramey Munsey | ramey@networkinaction.com | NIA - West University | 713-444-7122 |
| Rich Iazzetti | rich@networkinaction.com | Network In Action | 713-705-6095 |
| Stacy Harris | stacy@networkinaction.com | Supreme Level Networking | 832-837-9975 |
| Toni Harris Taylor | toni@networkinaction.com | East Montgomery Money Makers | 713-387-9273 |

**Utah**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Michael Boyer | mike@networkinaction.com | Network In Action – Utah County | 443-789-2705 |

**Washington**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Cathryn Dall | cathryn@networkinaction.com | NIA Eastside LLC | 409-656-7073 |

**FRANCHISE AGREEMENTS SIGNED BUT FRANCHISEE NOT OPERATING AS OF DECEMBER 31, 2021:**

**California**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Armando Melchor | armando@networkinaction.com | Next Level Consulting | 619-865-0721 |

**Florida**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Carolyn McKenna | carolyn@networkinaction.com | NIA Downtown Professionals | 813-267-3149 |
| Daniel Frana | danfrana@networkinaction.com | NIA of Central Florida | 407-399-0864 |
| Safeer Bhatti | safeer@networkinaction.com | NIA South Florida Inc. | 610-564-2165 |

**Illinois**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| James Bilello | jamesbilello@usmarketing.bz | US Marketing, Inc. | 847-951-1819 |

**Kansas**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Richard Gross | richard@networkinaction.com | NIA HyperDrive | 913-515-0353 |

**New York**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Pamela Tuzzi | pam@networkinaction.com | Network In Action - NY | 646-436-8145 |

**Pennsylvania**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| JC Collins | jc@networkinaction.com | NIA of Central PA | 717-576-6094 |

**South Carolina**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Dr. Sonja Ogletree Satani | sonja@networkinaction.com | Corporate Cycle Consulting, LLC | 843-696-7335 |
| Keith Driscoll | keithdriscoll@networkinaction.com | Keith Driscoll | 508-360-0980 |

**Texas**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Jason Lafferty | jasonlafferty@networkinaction.com | Lafferty health insurance | 817-600-7880 |
| Julie Kessel | julie@networkinaction.com | HKA Connections | 713-204-8040 |
| Laura and Michael Pierce | mikep@networkinaction.com | Creative Consulting Inc. | 571-233-2690 |
| Mark Lively | mark@networkinaction.com | NIA Lively Connections | 630-746-1574 |
| Mike Lansford | mike@networkinaction.com | NIA Alvin | 713-540-8317 |
| Steve Bell | stevebell@networkinaction.com | Network in Action Houston Southeast | 815-954-8205 |
| Zameer Fazal | zameer@networkinaction.com | Network In Action – Fort Bend | 713-480-5533 |

**Washington**

| Franchisee | E-mail Address | Company Name | Phone Number |
|---|---|---|---|
| Beth Vosmeier | beth@networkinaction.com | Network In Action NW Visual Print Solutions | 206-550-7678 |
| Monica Sanches | monicas@networkinaction.com | Network In Action - Central WA | 509-571-6690 |

**EXHIBIT F**
**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM**

**AS OF DECEMBER 31, 2021:**

**Texas**

Christina Bell - (832) 696-2356

Mark Lively - (630) 746-1574

Sara Edwards - (832) 215-6272

Mike Pierce - (210) 837-7807

**Utah**

Mike Boyer - (801) 755-2439

**EXHIBIT G**
**FINANCIAL STATEMENTS**

# NETWORK IN ACTION INTL. LLC

## FINANCIAL STATEMENTS

*December 31, 2021 and 2020*

PWR CPA
Certified Public Accountants

*Independent Auditor's Report*

To the Board of Directors of
Network in Action Intl. LLC

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of Network in Action Intl. LLC, which comprise the balance sheet as of December 31, 2021, and the related statements of operations and members' equity, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Network in Action Intl. LLC as of December 31, 2021 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Other Matter***

The financial statements of Network in Action Intl. LLC for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on June 6, 2021.

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 Network in Action Intl. 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 Network in Action Intl. 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.

PWR CPA, LLP

Houston, Texas

June 6, 2022

**NETWORK IN ACTION INTL. LLC**
**BALANCE SHEETS**

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash | $ 44,309 | $ 20,814 |
| Accounts receivable, net | 7,500 | - |
| Capitalized contract costs, short term portion | 54,027 | 47,716 |
| Notes receivable, short-term portion | 131,000 | 187,099 |
| Total current assets | 236,836 | 255,629 |
| **Non-current Assets** | | |
| Software, net | 12,247 | 13,471 |
| Security deposit | 1,627 | 1,627 |
| Capitalized contract costs, long-term portion | 352,088 | 341,882 |
| Notes receivable, long-term portion | 177,590 | 95,810 |
| Total assets | $ 780,388 | $ 708,419 |
| **LIABILITIES AND MEMBERS' EQUITY (DEFICIT)** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 18,000 | $ 6,350 |
| Deferred revenue, short-term portion | 183,580 | 157,992 |
| Interest payable – related party | 583 | 696 |
| Notes payable – related party | 5,042 | 15,880 |
| Accrued liabilities | - | 4,417 |
| Total current liabilities | 207,205 | 185,335 |
| Deferred revenue, long-term portion | 1,224,613 | 1,112,529 |
| Total liabilities | 1,431,818 | 1,297,864 |
| Commitments | | |
| Members' equity (deficit) | (651,430) | (589,445) |
| Total liabilities and members' equity (deficit) | $ 780,388 | $ 708,419 |

See accompanying notes to the financial statements.

**NETWORK IN ACTION INTL. LLC**
**STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY**
**For the Years Ended December 31, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| **Revenues** | | |
| Initial franchise fees | $ 359,828 | $ 233,209 |
| Royalties | 183,828 | 89,267 |
| New member fees | 73,655 | 50,078 |
| Other | 23,639 | 25,174 |
| **Total Revenue** | 640,950 | 397,728 |
| | | |
| **Operating Expenses** | | |
| General and administrative | 379,882 | 351,468 |
| Contract labor | 121,116 | 103,856 |
| Salaries and wages | 115,541 | 96,904 |
| Rent expense | 52,016 | 36,887 |
| **Total operating expenses** | 668,555 | 589,115 |
| | | |
| **Operating Loss** | (27,605) | (191,387) |
| | | |
| **Other Income (Expense)** | | |
| Interest expense, net | (931) | (694) |
| Gain on forgiveness of debt | 27,100 | 27,100 |
| | | |
| **Total other income** | 26,169 | 26,406 |
| | | |
| **Net Income (Loss)** | (1,436) | (164,981) |
| Members' equity (deficit) - beginning balance | (589,445) | (409,442) |
| Contributions | - | 25,000 |
| Distributions | (60,549) | (40,022) |
| Members' equity (deficit) - ending balance | $ (651,430) | $ (589,445) |

See accompanying notes to the financial statements.

**NETWORK IN ACTION INTL. LLC**
**STATEMENTS OF CASH FLOWS**
**For the Years Ended December 31, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Net loss | $ (1,436) | $ (164,981) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Gain on forgiveness of debt | (27,100) | (27,100) |
| Depreciation expense | 1,224 | 1,225 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (7,500) | - |
| Franchise notes receivable | (25,681) | 83,841 |
| Capitalized contract costs | (16,517) | 25,428 |
| Accounts payable | 11,650 | 6,160 |
| Deferred revenue | 137,672 | 48,147 |
| Interest payable | (113) | 696 |
| Accrued expenses and other liabilities | (4,417) | 4,417 |
| Net cash provided by (used in) operating activities | 67,782 | (22,167) |
| Cash Flows from Financing Activities: | | |
| Proceeds from notes payable | 27,100 | 27,100 |
| Proceeds from notes payable-related party | - | 15,880 |
| Payments on notes payable-related party | (10,838) | - |
| Contributions from members | - | 25,000 |
| Distributions to members | (60,549) | (40,022) |
| Net cash provided by (used in) financing activities | (44,287) | 27,958 |
| Net Change in Cash | 23,495 | 5,791 |
| Cash at Beginning of Year | 20,814 | 15,023 |
| Cash at End of Year | $ 44,309 | $ 20,814 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Interest paid | $ 1,514 | $ - |

See accompanying notes to the financial statements.

## NOTE 1 - ORGANIZATION

Network In Action Intl. LLC (the Company) is a registered limited liability company organized under the laws of the state of Texas. It was organized on June 27, 2015. The Company markets and operates franchise agreements for the "Network In Action" franchise networking organization.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Company determined that the services provided in exchange for upfront franchise fees, which primarily relate to pre-opening support, are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to the franchisees. As a result, upfront franchise fees are deferred and recognized as revenue over the term of each respective franchise. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's right to use and benefit from the intellectual property. Deferred revenue was $1,408,193 and $1,270,521 as of December 31, 2021 and 2020, respectively.

Similarly, the benefits received from incentive payments made to brokers to sell franchises and brand-specific non-transferable training provided costs related to servicing the franchise agreements are not separate and distinct from the benefits received from the franchise right and thus those expenses will be amortized over the period of expected cash flows from the franchise agreements to which the payment relates.

New member fees are recognized when franchisees accept new members. Royalties are recognized monthly over the franchise period.

Notes Receivable

Notes receivable consist of franchisee balances based on contracted amounts for initial franchise fees. The notes bear no interest and are due through 2023. As of December 31, 2021 and 2020, management believes all receivables to be collectable. Therefore, no allowance for doubtful accounts has been established.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES – (continued)**

Concentration of Credit Risk

The Company maintains its cash in demand deposit accounts or "noninterest-bearing transaction accounts" which, at times, may exceed federally insured limits. The Company's management periodically assesses the financial stability of these banks. The Company has not experienced any losses on such accounts.

The Company had no significant customers for the years ended December 31, 2021 and 2020.

Income Taxes

No provision for income taxes has been made in the financial statements as the Company is a "pass through" entity. Each member is individually liable for tax on their share of the Company's income or loss. The Company prepares a calendar year informational tax return.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers cash, all short-term investments and all highly liquid debt instruments with an original maturity of less than three months to be cash equivalents.

Reclassification

Certain prior period amounts have been reclassified to conform with the current period presentation.

Fair Value of Financial Instruments

Under FASB ASC 820, *Fair Value Measurements and Disclosures*, we are permitted to elect to measure financial instruments and certain other items at fair value, with the change in fair value recorded in earnings. We elected not to measure any eligible items using the fair value option. Consistent with FASB ASC 820, we implemented guidelines relating to the disclosure of our methodology for periodic measurement of our assets and liabilities recorded at fair market value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;

- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES – (continued)

- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one more significant inputs or significant value drivers are unobservable.

Our Level 1 assets primarily include our cash and cash equivalents (including our money market accounts). Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities. The carrying amount of accounts receivable, notes receivable, accounts payable and accrued liabilities approximate their fair value due to the immediate or short-term maturities of these financial instruments.

Marketing and Advertising Charges

The Company charges marketing and advertising costs to expense as incurred. Marketing and advertising costs amounted to $47,164 and $24,726 for the years ended December 31, 2021 and 2020, respectively, and are included with general and administrative expenses in the accompanying financial statements.

Recent Accounting Pronouncements Issued But Not Yet Effective

In February 2016, the FASB issued ASU 2016-02, *Leases*. This guidance requires an entity to recognize lease liabilities and a right-of-use asset for all leases on the balance sheet and to disclose key information about the entity's leasing arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, with earlier adoption permitted. ASU 2016-02 must be adopted using a modified retrospective approach for all leases existing at, or entered into after the date of initial adoption, with an option to elect to use certain transition relief. The Company has not yet evaluated the impact of this new standard on its financial position, results of operations, cash flows and related disclosures.

## NOTE 3 – ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following at December 31:

| | 2021 | 2020 |
|---|---|---|
| Trade | $ 7,500 | $ - |
| Less: allowance for doubtful accounts | - | - |
| Accounts receivable, net | $ 7,500 | $ - |

There was no bad debt expense for the years ended December 31, 2021 and 2020, respectively.

## NOTE 4 – SUMMARY OF FRANCHISE UNITS

The summary of changes in franchise ownership for fiscal years 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Number of franchises sold | 40 | 14 |
| Number of franchises purchased | 5 | - |
| Number of franchised outlets in operation | 76 | 40 |
| Number of franchisor-owned outlets in operation | 3 | 3 |

## NOTE 5 – NOTES PAYABLE

On April 15, 2020, the Company received $27,100 in loan funding from the SBA PPP, established pursuant to the recently enacted CARES Act. The Company received an additional $27,100 in funding in 2021. The CARES Act and the PPP provide a mechanism for forgiveness of up to the full amount borrowed. During 2021, the Company received forgiveness of the full loan amounts including interest.

## NOTE 6 – RELATED PARTY NOTE PAYABLE

As of December 31, 2021 and 2020, the Company had a note payable to an entity owned by a member in the amount of $5,042 and $15,880, respectively. The note has no stated repayment date and bears interest at 3.5%.

During 2021, the Company paid a member $14,000 for the lease of property.

## NOTE 7 – MEMBERS' EQUITY

The rights and obligations of partners, as well as all other significant ownership and governance matters, are set forth in the Company Agreement of Network in Action, LLC.

## NOTE 8 – COMMITMENTS

The Company leases office space under an operating lease that expires in December 2022. Minimum lease payments for 2022 are $36,531.

Rent expense charged to operations for the years ended December 31, 2021 and 2020 was $52,014 and $36,887, respectively.

## NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 6, 2022, the date at which the financial statements were available to be issued, in the preparation of these financial statements and footnotes.

# NETWORK IN ACTION INTL. LLC

## FINANCIAL STATEMENTS

## FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NETWORK IN ACTION INTL. LLC**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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**David P. Chaney, CPA, P.C.**
**2500 E. TC Jester Blvd.**
**Suite 258**
**Houston, TX 77008**
**713-868-1174**

## INDEPENDENT AUDITOR'S REPORT

To the Members:
Network In Action Intl. LLC

I have audited the accompanying financial statements of Network In Action Intl. LLC, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income and members' equity, and cash flows for the years then ended, 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 financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 auditor's 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 purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Network In Action Intl. LLC, as of December 31, 2020 and 2019, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*David P. Chaney, CPA, P.C.*

Houston, Texas
June 6, 2021

**NETWORK IN ACTION INTL. LLC**
**BALANCE SHEETS**
**DECEMBER 31, 2020 AND 2019**

| **ASSETS** | **2020** | 2019 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash | **$ 20,814** | $ 15,023 |
| Capitalized contract costs, short-term portion | **47,716** | 80,332 |
| Notes receivable, short-term portion | **187,099** | 237,250 |
| Total current assets | **255,629** | 332,605 |
| FIXED ASSETS: | | |
| Software, net of accumulated depreciation of $4,899 and $3,674, respectively | **13,471** | 14,696 |
| Total fixed assets | **13,471** | 14,696 |
| OTHER ASSETS: | | |
| Security deposit | **1,627** | 1,627 |
| Capitalized contract costs, long-term portion | **341,882** | 334,694 |
| Notes receivable, long-term portion | **95,810** | 129,500 |
| Total other assets | **439,319** | 465,821 |
| **TOTAL ASSETS** | **$ 708,419** | $ 813,122 |
| **LIABILITIES AND MEMBERS' EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | **$ 6,350** | $ 190 |
| Deferred revenue, short-term portion | **157,992** | 215,273 |
| Interest payable - related party | **696** | - |
| Notes payable - related party | **15,880** | - |
| Payroll tax liability | **4,417** | - |
| Total current liabilities | **185,335** | 215463 |
| LONG-TERM LIABILITIES | | |
| Deferred revenue, long-term portion | **1,112,529** | 1,007,101 |
| Total long-term liabilities | **1,112,529** | 1,007,101 |
| **TOTAL LIABILITIES** | **1,297,864** | **1,222,564** |
| MEMBER'S EQUITY: | | |
| Managing members | **(589,445)** | (409,442) |
| **TOTAL MEMBERS' EQUITY** | **(589,445)** | (409,442) |
| **TOTAL LIABILITIES AND MEMBERS' EQUITY** | **$ 708,419** | $ 813,122 |

The accompanying notes are an integral part of this financial statement.

**NETWORK IN ACTION INTL. LLC**
**STATEMENTS OF INCOME AND MEMBERS' EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

| | 2020 | 2019 |
|---|---|---|
| **REVENUE:** | | |
| Initial franchise fees | **$ 233,209** | $ 123,306 |
| Royalties | **89,267** | 76,171 |
| New member fees | **50,078** | 45,827 |
| Other Income | **25,174** | 600 |
| **TOTAL REVENUE** | **397,728** | 245,904 |
| **OPERATING EXPENSES:** | | |
| Advertising | **29,427** | 14,642 |
| Amortization | **1,225** | 1,225 |
| Previously capitalized contract costs | **81,090** | 30,501 |
| Bad debt expense | **41,000** | - |
| Bank charges | **1,357** | 1,261 |
| Car & truck expense | **1,305** | 361 |
| Charitable donation | **900** | 4,860 |
| Commissions | **33,250** | - |
| Contract labor | **125,356** | 122,615 |
| Dues & subscriptions | **1,898** | 15,615 |
| Insurance | **3,833** | 4,476 |
| Legal & professional services | **73,058** | 41,750 |
| Meals | **5,667** | 4,286 |
| Meetings | **18,057** | 11,564 |
| Office supplies | **13,785** | 16,637 |
| Phone | **1,344** | 3,265 |
| Postage & delivery | **467** | 393 |
| Rent or lease of buildings | **36,887** | 33,248 |
| Repairs & maintenance | **-** | 1,806 |
| Salaries and wages | **96,905** | - |
| Utilities | **4,982** | 4,582 |
| Website/App | **17,322** | 24,583 |
| **TOTAL OPERATING EXPENSES** | **589,115** | 337,670 |
| **INCOME FROM OPERATIONS** | **(191,387)** | (91,766) |
| Gian on PPP loan forgiveness | **27,100** | - |
| Interest expense | **(694)** | - |
| **NET INCOME/(LOSS)** | **(164,981)** | (91,766) |
| **MEMBERS' EQUITY, BEGINNING OF PERIOD** | **(409,442)** | 145,006 |
| **Topic 606 adjustment to beginning equity (see Note 5)** | **-** | (456,090) |
| **MEMBERS' CONTRIBUTIONS/(DISTRIBUTIONS)** | **(15,022)** | (6,592) |
| **MEMBERS' EQUITY, END OF PERIOD** | **$ (589,445)** | $ (409,442) |

The accompanying notes are an integral part of this financial statement.

**NETWORK IN ACTION INTL. LLC**
**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

| | **2020** | 2019 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income/(loss) | **$ (164,981)** | $ (91,766) |
| Adjustments to reconcile excess of revenues over expenses to net cash provided/(used) by operating activities: | | |
| Amortization | **1,225** | 1,225 |
| Topic 606 adjustment to beginning equity (see Note 5) | **-** | (456,090) |
| Decrease (increase) in: | | |
| Capitalized contract costs | **25,428** | (415,025) |
| Increase (decrease) in: | | |
| Accounts payable | **6,160** | (2,105) |
| Deferred revenue | **48,147** | 1,222,373 |
| Interest payable | **696** | - |
| Payroll tax liability | **4,417** | |
| **NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES** | **(78,908)** | 258,612 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Notes receivable | **83,841** | (245,830) |
| Notes payable | **15,880** | - |
| Contribution from members | **25,000** | (6,592) |
| Distribution to members | **(40,022)** | - |
| **NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES** | **84,699** | (252,422) |
| **NET INCREASE/(DECREASE) IN CASH** | **5,791** | 6,190 |
| **CASH AT BEGINNING OF PERIOD** | **15,023** | 8,833 |
| **CASH AT END OF PERIOD** | **$ 20,814** | $ 15,023 |

The accompanying notes are an integral part of this financial statement.

**NETWORK IN ACTION INTL. LLC**
**NOTES TO FINANCIAL STATEMENTS**
**DECEMBER 31, 2020 AND 2019**

## NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Network In Action Intl. LLC (the Company) is a registered limited liability company organized under the laws of the state of Texas. It was organized on June 27, 2015. The Company markets and operates franchise agreements for the "Network In Action" franchise networking organization.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Notes Receivable

Notes receivable consist of franchisee balances based on contracted amounts for initial franchise fees. As of December 31, 2020 and 2019, management believes all receivables to be collectable. Therefore, no allowance for doubtful accounts has been established.

Amortization

The Company is amortizing software over its useful life of 15-years on the straight-line basis.

Income Taxes

The Company has elected to be taxed as a partnership for federal tax purposes. All federal income taxes are paid by the partners in respect to their proportional ownership. State taxes are accrued and expensed as incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments. The Company places its temporary cash investments with banks that are FDIC insured. As of December 31, 2020 and 2019, there was $0 in uninsured funds.

Revenue Recognition.

From 2014 through 2017, the Financial Accounting Standards Board ("FASB") issued standards to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries ("Topic 606"). The Company adopted Topic 606 at the beginning of the year ended December 31, 2019. Below is a discussion of how the Company's revenues are earned, the accounting policies pertaining to revenue recognition prior to the adoption of Topic 606 ("Legacy GAAP"), the accounting policies pertaining to revenue recognition subsequent to the adoption of Topic 606 and other required disclosures. Refer to Note 3 for information regarding the cumulative effect adjustment recorded to member's equity as of the beginning of the year ended December 31, 2019 to reflect the adoption of Topic 606. Also included in Note 3 is a disclosure of the amount by which each balance sheet and income statement line item was impacted in the reporting period as compared to Legacy GAAP.

Franchise Revenues

The timing and amount of revenue recognized related to royalties was not impacted by the adoption of Topic 606 based on the application of the sales-based royalty exception within Topic 606.

Upon the adoption of Topic 606, the Company determined that the services provided in exchange for upfront franchise fees, which primarily relate to pre-opening support, are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to the franchisees. As a result, upon the adoption of Topic 606, upfront franchise fees are recognized as revenue over the term of each respective franchise. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's right to use and benefit from the intellectual property.

Subsequent Events

For the year ended December 31, 2020, the Company has evaluated subsequent events for potential recognition and disclosure through June 6, 2021, which is the date the financial statements were available to be issued.

## NOTE 2 – DEFERRED REVENUE

As of December 31, 2020 and 2019, total deferred revenue of $1,270,521 and $1,222,373 is presented in accordance with TOPIC 606 as discussed in Note 1 and Note 3.

## NOTE 3 – IMPACT OF ADOPTING NEW REVENUE RECOGNITION STANDARDS

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". Topic 606 establishes standards to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries.

As discussed in Note 1, the Company adopted Topic 606 at the beginning of the year ended December 31, 2019, using the modified retrospective method. Topic 606 was applied to all contracts with franchisees as of January 1, 2019 and the cumulative effective of this transition was recorded as an adjustment to member's equity as of this date.

The new guidance clarifies the principles used to recognize revenue for all entities and requires companies to recognize revenue when it transfers goods or service to a customer in an amount that reflects the consideration to which a company expects to be entitled. The FASB has subsequently amended this guidance by issuing additional ASUs that provide clarification and further guidance around areas identified as potential implementation issues, including principal versus agent considerations, licensing and identifying performance obligations, assessing collectability, noncash consideration, contract modification and clarification of using the full retrospective approach upon adoption. All of the standards are effective for annual and interim periods beginning after December 15, 2018 (the Company's fiscal year 2019). The guidance allows for either a retrospective or cumulative effect transition method with early application permitted. The Company will use the modified retrospective method of adoption.

The guidance is not expected to impact the recognition company royalties from franchised restaurants. However, the adoption will have an impact on initial franchise fees, and advertising arrangements with franchisees.

Since adoption in the fiscal year ending December 31, 2019, initial franchise fees, which were previously recognized upon the opening of a franchise restaurant, are now deferred and recognized over the term of the underlying franchise agreement. The effect of the required deferral of initial franchise fees received in a given year is mitigated by the recognition of revenue from fees retrospectively deferred from prior years and the amortization of capitalized incentive payments and franchisee servicing costs. Upon adoption, the Company recorded a decrease in member's equity of $456,090 as a cumulative effect adjustment reducing the opening equity. Deferred revenue as of January 1, 2019 (the first day of fiscal 2019) related to previously recognized initial franchise fees was increased by $1,345,679. The deferred revenue resulting from the cumulative effect adjustment will be amortized over the lives of the individual franchise agreements.

Similarly, the benefits received from incentive payments made to brokers to sell franchises and brand-specific non-transferable training provided costs related to servicing the franchise agreements are not separate and distinct from the benefits received from the franchise right and thus those expenses will be amortized as a reduction of revenue over the period of expected cash flows from the franchise agreements to which the payment relates. Previously any payments

made to brokers or brand-specific non-transferable training costs are recognized within the Statement of Operations and Member's Equity when the obligation to make the payment arises. These standards require any such unamortized portion of expenses prior to adoption to be presented in the Balance Sheets as an asset. Since adoption, the recognition of unamortized incentive payments increased Total Assets by approximately $415,025.

## NOTE 4 – SUBSEQUENT EVENTS

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern.

In the first quarter of fiscal and calendar year 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. A health pandemic is a disease outbreak that spreads rapidly and widely by infection and affects many individuals in an area or population at the same time. Customers might avoid public gathering places in the event of a health pandemic, and local, regional, or national governments might limit or ban public gatherings to halt or delay the spread of disease. The conditions may impact customer ability to adequately arrange networking meetings or perform functions at the corporate level. The Company also may be adversely affected if jurisdictions in which the Company has franchises impose mandatory closures, seek voluntary closures or impose restrictions on operations. Even if such measures are not implemented, the perceived risk of infection or significant health risk may adversely affect business. The Company cannot reasonably estimate the negative impact to the Company's business, revenues, financial condition or results of operations.

## NOTE 5 - LEASE OBLIGATIONS PAYABLE

The Company leases office space under an operating lease. The following is a schedule showing the future minimum lease payments under the operating lease by year and the minimum lease payments as of December 31, 2020:

| Year ending December 31: | |
|---|---|
| 2021 | $ 36,531 |
| 2022 | 6,089 |
| Total | $ 42,620 |

## NOTE 6 – SUMMARY OF FRANCHISE UNITS

The changes in franchise ownership for fiscal years 2020 and 2019 are as follows:

| | 2020 | 2019 |
|---|---|---|
| Number of franchises sold | 14 | 18 |
| Number of franchises purchased | 0 | 0 |
| Number of franchised outlets in operation | 40 | 35 |
| Number of franchisor-owned outlets in operation | 3 | 3 |

## NOTE 7 – SMALL BUSINESS ADMINISTRATION (SBA) LOANS

For the year 2020, the company took a Paycheck Protection Program (PPP) loan of $27,100. The Company's PPP loan was forgiven in full in 2021.

## NOTE 8 – RELATED PARTY NOTE PAYABLE

As of December 31, 2020, the Company had a note payable to a related party in the amount of $15,880 with a 3.5% stated interest rate and no stated repayment date.

These Financial Statements Have Been Prepared without an Audit. Prospective Franchisees or Sellers of Franchises Should be Advised that No Independent Certified Public Accountant Has Audited These Figures or Expressed an Opinion with Regard to their Content or Form.

# Network In Action Intl LLC
## Balance Sheet
### As of June 30, 2022

| | Total |
|---|---|
| **ASSETS** | |
| **Current Assets** | |
| **Bank Accounts** | |
| **Frost *0568** | 48,575 |
| **Total Bank Accounts** | **48,575** |
| **Other Current Assets** | |
| **S/T Franchise Notes Receivable** | 187,099 |
| **Total Other Current Assets** | **187,099** |
| **Total Current Assets** | **235,674** |
| **Fixed Assets** | |
| **Software Development Costs** | 18,370 |
| **SW Accumulated Amortization** | (6,123) |
| **Total Software Development Costs** | **12,247** |
| **Total Fixed Assets** | **12,247** |
| **Other Assets** | |
| **Capitalized Contract Costs** | 389,115 |
| **L/T Franchise Notes Receivable** | (187,099) |
| **Angela Obert - Notes Receivable** | 17,000 |
| **Charles Heinzelman - Notes Receivable** | 20,000 |
| **Christopher Shaw - Notes Receivable** | 9,500 |
| **Cynthia Spiralin - Notes Receivable** | 7,500 |
| **James Berkvam/Armando Melchor - Notes Receivable** | 29,000 |
| **Jason Lafferty - Notes Receivable** | 21,000 |
| **Keith Driscoll - Notes Receivable** | 7,500 |
| **Lauren Pontier - Notes Receivable** | 6,400 |
| **Lisa McClease - Notes Receivable** | 18,000 |
| **Lisa Rosenfeld - Notes Receivable** | 6,000 |
| **Michael Heath - Notes Receivable** | 8,000 |
| **Mike Montes - Notes Receivable** | 19,500 |
| **Monica Sanchez - Notes Receivable** | 32,000 |
| **Monty Webb - Notes Receivable** | 7,000 |
| **Safeer Bhatti - Notes Receivable** | 17,000 |
| **Sandra Kearney - Notes Receivable** | 21,000 |
| **Sara Edwards - Notes Receivable** | 2,473 |
| **Shannon McGee - Notes Receivable** | 20,000 |
| **Simon Zryd - Notes Receivable** | 13,000 |
| **Tami Roquet - Notes Receivable** | 5,000 |
| **Tony Harris Taylor - Notes Receivable** | 10,250 |
| **Total L/T Franchise Notes Receivable** | **110,024** |
| **Security Deposit** | 1,627 |
| **Total Other Assets** | **500,766** |

| | |
|---|---|
| **TOTAL ASSETS** | **748,687** |
| **LIABILITIES AND EQUITY** | |
| **Liabilities** | |
| **Current Liabilities** | |
| **Credit Cards** | |
| **Chase CC (9383)** | 4,375 |
| **US Bank CC - 4422** | 327 |
| **Total Credit Cards** | **4,702** |
| **Other Current Liabilities** | |
| **Interest Payable - Loans from NIA** | 582 |
| **Total Other Current Liabilities** | **582** |
| **Total Current Liabilities** | **5,284** |
| **Long-Term Liabilities** | |
| **Deferred Revenue** | 1,691,193 |
| **L/T Unearned Franchise Income** | 11,050 |
| **Notes Payable - Loan #2 from NIA** | 5,042 |
| **Total Long-Term Liabilities** | **1,707,286** |
| **Total Liabilities** | **1,712,570** |
| **Equity** | |
| **Owner Draw** | |
| **Owner's Draw - Holly Grajales** | (6,000) |
| **Owner's Draw - Scott Talley -Do not use** | (46,505) |
| **Total Owner Draw** | **(52,505)** |
| **Owner's Investment** | - |
| **Owner's Investment - Holly Grajales** | 490 |
| **Owner's Investment - Scott Talley do not use** | 25,000 |
| **Total Owner's Investment** | **25,490** |
| **Retained Earnings** | (604,664) |
| **Shareholder Distributions** | |
| **Shareholder Distributions - Scott Talley** | (67,272) |
| **Total Shareholder Distributions** | **(67,272)** |
| **Net Income** | (264,933) |
| **Total Equity** | **(963,883)** |
| **TOTAL LIABILITIES AND EQUITY** | **748,687** |

# Network In Action Intl LLC
# Profit and Loss
### January - June, 2022

| | Total |
|---|---|
| **Income** | |
| **Franchise Transfer Fee Income** | 1,750 |
| **New Member Fees Income** | 40,166 |
| **Onboarding Fee Income** | 5,050 |
| **Other Income** | 558 |
| **Royalty Income** | 117,641 |
| **Summit Income** | 11,536 |
| **Total Income** | **176,702** |
| **Gross Profit** | **176,702** |
| **Expenses** | |
| **Advertising/Marketing** | 30,913 |
| **Bank Charges** | 383 |
| **Car & Truck Expense** | |
| **Car Payment** | 5,906 |
| **Gas** | 6,183 |
| **Insurance** | 1,607 |
| **Maintenace** | 331 |
| **Total Car & Truck Expense** | **14,027** |
| **Charitable Donation** | 11,168 |
| **Commissions & Fees** | 78,379 |
| **Contract labor** | 33,369 |
| **Credit card fees** | 10 |
| **Dues & Subscriptions** | 3,815 |
| **Entertainment** | 169 |
| **Insurance** | 3,075 |
| **Legal & Professional Services** | 62,364 |
| **Loan Finance Fee** | 1,822 |
| **Meals** | |
| **Meals (Local)** | 4,119 |
| **Total Meals** | **4,119** |
| **Meetings** | 9,009 |
| **Merchant Processing Fees** | 994 |
| **Office Equipment** | 383 |
| **Office Expenses** | 14,701 |
| **Office Furniture** | 5,212 |
| **Payroll Expenses** | |
| **Payroll Tax Expenses** | 8,374 |
| **Salaries & Wages** | 55,850 |
| **Salaries & Wages - Scott Talley** | 32,500 |
| **Worker's Comp** | 1,507 |
| **Total Payroll Expenses** | **98,231** |

| | |
|---|---|
| **Postage & Delivery** | 388 |
| **Rent or Lease of Buildings** | 28,213 |
| **Repairs & Maintenance** | 225 |
| **Summit Expenses** | 33,750 |
| **Taxes & Licenses** | 130 |
| **Training** | 5,287 |
| **Travel Expenses** | |
| **Travel** | 17,585 |
| **Travel Meals** | 809 |
| **Total Travel Expenses** | **18,395** |
| **Utilities** | 4,177 |
| **Website/App** | 15,958 |
| **Total Expenses** | **478,664** |
| **Net Operating Income** | **(301,962)** |
| **Other Income** | |
| **Credit Card Rewards** | 47 |
| **Other Portfolio Income** | 10,000 |
| **Tax Exempt Income** | 27,100 |
| **Total Other Income** | **37,147** |
| **Other Expenses** | |
| **Interest Expense** | 118 |
| **Total Other Expenses** | **118** |
| **Net Other Income** | **37,029** |
| **Net Income** | **(264,933)** |

**EXHIBIT H**

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**EXHIBIT I**
**GENERAL RELEASE**

**THIS GENERAL RELEASE** ("**Release**") is executed on _____ by _____ (**"Releasor"**), _____ (**"Guarantors"**), _____ (**"Transferee"**) as a condition of [CHECK ONE]:

_____**(a)** the transfer of the Franchise Agreement dated _____ between Network In Action Intl. LLC (**"Network In Action"**) and Releasor (**"Franchise Agreement"**);

_____**(b)** the execution of a renewal Franchise Agreement between Releasor and Network In Action. (If this Release is executed under the conditions set forth in (c), all references in this Release to "Transferee" should be ignored.)

1. **Release by Releasor, Transferee, and Guarantors**. Releasor and Transferee (on behalf of themselves and their parents, subsidiaries, and affiliates and their respective past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities), and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, the **"Releasing Parties"**) freely and without any influence forever release (i) Network In Action, (ii) Network In Action's past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities, and (iii) Network In Action's parent, subsidiaries, and affiliates and their respective past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities (collectively, the **"Released Parties"**), from any and all claims, debts, demands, liabilities, suits, judgments, and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, **"Claims"**), which any Releasing Party ever owned or held, now owns or holds, or may in the future own or hold, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances and claims arising out of, or relating to, the Network In Action Business, the Franchise Agreement, and all other agreements between any Releasing Party and Network In Action or Network In Action's parent, subsidiaries, or affiliates, arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

2. **Risk of Changed Facts**. Releasor, Transferee, and Guarantors understand that the facts in respect of which the release in Section 1 is given may turn out to be different from the facts now known or believed by them to be true. Releasor, Transferee, and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the release in Section 1 shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

3. **Covenant Not to Sue**. Releasor, Transferee, and Guarantors (on behalf of the Releasing Parties) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 with respect to any Claim released under Section 1.

4. **No Prior Assignment and Competency**. Releasor, Transferee, and Guarantors represent and warrant that: (i) the Releasing Parties are the sole owners of all Claims and rights released

in Section 1 and that the Releasing Parties have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1; (ii) each Releasing Party has full and complete power and authority to execute this Release, and that the execution of this Release shall not violate the terms of any contract or agreement between them or any court order; and (iii) this Release has been voluntarily and knowingly executed after each of them has had the opportunity to consult with counsel of their own choice.

5. **Complete Defense**. Releasor, Transferee, and Guarantors: (i) acknowledge that the release in Section 1 shall be a complete defense to any Claim released under Section 1; and (ii) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

6. **Successors and Assigns**. This Release will inure to the benefit of and bind the successors, assigns, heirs, and personal representatives of the Released Parties and each Releasing Party.

7. **Counterparts.** This Release may be executed in two or more counterparts (including by facsimile), each of which shall be deemed an original, and all of which shall constitute one and the same instrument.

8. **Capitalized Terms**. Any capitalized terms that are not defined in this Release shall have the meaning given them in the Franchise Agreement.

9. **For Washington State**. This Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF**, Releasor, Transferee, and Guarantors have executed this Release as of the date shown above.

**RELEASOR:**

By: _____

Print Name: _____

Title: _____

Date: _____

**TRANSFEREE (IF APPLICABLE):**

By: _____

Print Name: _____

Title: _____

Date: _____

**GUARANTOR:**

_____

Print Name: _____

Date: _____

**GUARANTOR:**

_____

Print Name: _____

Date: _____

**GUARANTOR:**

_____

Print Name: _____

Date: _____

**EXHIBIT J**

**PROMISSORY NOTE**

(this "Note")

**$_____** **_____, 20__**

**Houston, Texas**

**FOR VALUE RECEIVED**, the undersigned (collectively, "**Maker**") jointly, severally, and unconditionally promise to pay to the order of Network In Action Intl. LLC ("**Payee**"), at 770 S. Post Oak Lane, Suite 105, Houston, Texas 77056, or at the Payee's option, at such other place as may be designated from time to time by Payee, the amount of _____ Dollars ($_____), together with interest at the rate of three and one-half percent (3.5%) per annum on the unpaid balance computed as provided below.

The entire unpaid balance of this Note, together with all accrued and unpaid interest and fees and other charges, if any, payable hereunder, shall be payable in _____ (__) monthly installments. Each installment shall be in the amount of _____ Dollars ($_____), with the first installment being due on _____, 20___ and continuing regularly and at the same intervals thereafter until all sums of outstanding principal, together with all accrued interest and any fees and other charges, shall be fully paid.

Maker has pledged, assigned or granted to Payee, as collateral for the payment of this liability, all of their assets, including, but not limited to, all real and personal property and accounts receivable. Upon the occurrence of any default under this Note, Payee shall have the remedies of a secured party under the Uniform Commercial Code, as applicable to the security.

Maker represents and warrants to Payee that the loan evidenced by this Note is being made for business, commercial or investment purposes. Make may prepay this Note, in whole or in part, without penalty, at any time.

Maker agrees to submit monthly financial information to Payee, such as an income statement, balance sheet, and supporting documents, as we specify from time to time and in the format Payee provides.

Maker agrees to pay all attorneys' fees and other costs and expenses that Payee may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any collateral for the payment of this Note.

Each person liable on this Note in any capacity, whether as Maker, endorser, surety, guarantor or otherwise, and any holder (collectively hereafter "**Obligor**"), waives the benefit of the homestead exemption and of all other exemptions available to him and also waives presentment, demand, protest, notice of dishonor and all other notices of every kind and nature to which he would otherwise be entitled under the applicable law. Each Obligor agrees that Payee may take any one or more of the following actions, on one or more occasions, whether before or after the maturity of this Note, without any notice to such Obligor, without any further consent to such actions, and without releasing or discharging such Obligor from liability on the Note: (a) any extension or extensions of the time of payment of any principal, interest or other amount due and payable under this Note; (b) any renewal of this Note, in whole or in part, (c) any full or partial release or discharge from liability under this Note of any other Obligor; (d) any waiver of any default under this Note; or (e) any agreement with the Maker changing the rate of interest or any other term or condition of this Note.

Time is of the essence with regard to the payment of any amounts due under this Note and the performance of the covenants, terms and conditions of this Note.

Any one or more of the following shall constitute an event of default under this Note: (a) any default in the payment of any installment or payment of principal, interest, or other amounts due and payable under this Note; (b) the death, dissolution, merger, consolidation or termination of existence of any Obligor; (c) any default by Obligor in the performance of, or compliance with, any provision in this Note or other agreement (including the related franchise agreement), document or instrument to which any Obligor and Payee are parties; (d) any Obligor is unable to pay debts as they become due, or is or becomes insolvent or makes an assignment for the benefit of creditors; (e) any Obligor files or becomes the subject of any petition or other pleading for relief under the Federal bankruptcy laws or any state insolvency statute; or (f) a receiver is appointed for, or a write or order of attachment, levy or garnishment is issued against, any Obligor or the property, assets or income of any Obligor.

If an event of default shall occur or if Maker shall fail to pay this Note in full at maturity, the entire unpaid balance of this Note, all accrued interest, and all costs and expenses of collection, including reasonable attorneys' fees and expenses, shall become immediately due and payable, at the option of Payee, without notice or demand to any Obligor. The remedies provided in this Note upon default and in other agreement between Payee and any Obligor are cumulative and not exclusive of any other remedies provided under any other agreement or at law or in equity.

Each Obligor hereby waives trial by jury in any action or proceeding to which such Obligor and Payee may be parties, arising out of, in connection with or in any way pertaining to, this Note. It is agreed and understood that this waiver constitutes a waiver of trial by jury of all claims against all parties to such action or proceeding, including claims against parties who are not parties to this Note. This waiver is knowingly, willingly and voluntarily made by each Obligor, and each Obligor hereby represents that no representations of fact or opinion have been made by any individual to induce this waiver of trial by jury and that each Obligor has been represented in the signing of this Note and in the making of this waiver by independent legal counsel, or has had the opportunity to be represented by independent legal counsel selected of its own free will, and that it has had the opportunity to discuss this waiver with its counsel.

The covenants, terms and conditions of this Note shall be binding upon the heirs, personal representatives, successors and assigns of each Obligor and shall inure to the benefit of Payee, its successors and assigns.

This Note shall be construed in all respects and enforced according to the laws of the State of Texas.

[SIGNATURE PAGE FOLLOWS]

**WITNESS** the following signature(s):

**MAKER**:

By:_____
Name:_____
Title:_____

**PAYMENT GUARANTEED BY MAKER'S MEMBER(S):**

Maker's Member(s) hereby Guarantee all of the payments to be made under this Note. This Guarantee is an unconditional, irrevocable and absolute guaranty of payment and performance. This Guarantee may not be cancelled, terminated, modified, or amended except by written agreement executed by Payee.

**MAKER'S MANAGING MEMBER(S):**

Signature:_____
Name:_____

## 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 | August 5, 2022 |
| Hawaii | |
| Illinois | |
| Indiana | |
| Maryland | |
| Michigan | |
| Minnesota | November 2, 2022 |
| New York | |
| North Dakota | |
| Rhode Island | |
| South Dakota | |
| Virginia | November 14, 2022 |
| Washington | September 7, 2022 |
| Wisconsin | |

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

## RECEIPT

## (YOUR COPY)

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

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

New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Network In Action Intl. LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise is as follows: Scott Talley, Network In Action Intl. LLC, 770 S. Post Oak Lane, Suite 105, Houston, Texas 77056, (713) 417-6152; and _____.

The issuance date of this Disclosure Document is: June 21, 2022.

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

I have received a Disclosure Document dated June 21, 2022 that included the following Exhibits:

Exhibit A – State Administrators/Agents for Service of Process
Exhibit B – State Specific Addendum
Exhibit C – Franchise Agreement
Exhibit D - Non-Use and Non-Disclosure Agreement
Exhibit E – List of Franchisees
Exhibit F – List of Franchisees Who Have Left the Network In Action System
Exhibit G – Financial Statements
Exhibit H – Table of Contents of Confidential Operations Manuals
Exhibit I – General Release
Exhibit J – Promissory Note

_____ _____
Date Prospective Franchisee

_____
Printed Name

PLEASE KEEP THIS COPY FOR YOUR RECORDS.

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_____ _____
Date Prospective Franchisee

_____
Printed Name

PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE, AND RETURN IT TO SCOTT TALLEY, NETWORK IN ACTION INTL. LLC, 770 S. POST OAK LANE, SUITE 105, HOUSTON, TEXAS 77056.