

**FRANCHISE DISCLOSURE DOCUMENT
(COMMERCIAL LOGISTICS CENTERS)**



ANNEX BRANDS, INC.
A California Corporation
7580 Metropolitan Drive, Suite 200
San Diego, CA 92108
800-456-1525
info@annexbrands.com
www.annexbrands.com

As a commercial logistics center (“commercial center”) franchisee, you will sell commercial packaging, packing, shipping, moving, pick-up, delivery, crating and transportation services for fragile, large, awkward and/or valuable freight to commercial and residential customers, and you will sell boxes and packaging materials.

The total investments and payments to us or our affiliates necessary to begin operation of the different types of commercial centers are shown in the table below:

Type of Commercial Center	Total Investment Range	Range of Payments To Us or Our Affiliates
Commercial Center	\$101,200 to \$178,750	\$42,450 to \$66,950
Commercial Center-Conversion	\$37,025 to \$154,975	\$27,475 to \$57,975

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, 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 to you. To discuss the availability of disclosures in different formats, contact Mary Ann Canup at 7580 Metropolitan Drive, Suite 200, San Diego, CA 92108, (800) 456-1525, or mcanup@annexbrands.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 be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: March 6, 2023

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits C and D.
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, and 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 F 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 Annex Brands 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 an Annex Brands franchisee?	Item 20 or Exhibits C, D and E list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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 restriction. 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, 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 arbitration and/or litigation only in California. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in California than in your own state.
2. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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

MICHIGAN NOTICE

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assents to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.
- (h) A provision that requires the franchisee to sell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, 670 Law Building, Lansing, MI 48913, (517) 373-7117.

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Item 1

THE FRANCHISOR, AND ANY PARENT, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document, “we,” “us” or “our” mean Annex Brands, Inc., the franchisor. “You” means the person who is considering the franchise. If you are a legal entity, certain provisions of the franchise agreement and related agreements will apply to your officers, directors, shareholders, partners, members and other owners. Those provisions are noted.

Franchisor

We are a California corporation incorporated on June 4, 1986 under the name PostalAnnex+, Inc. We changed our name to Annex Brands, Inc. on September 20, 2007. We do business as Annex Brands, National Logistics Services, NLS, PostalAnnex, PostalAnnex+, PostalAnnex+ Pack & Ship, Pak Mail, Pak Mail Logistics, Pak Mail Freight, AIM Mail, AIM Mail Centers, Parcel Plus, Sunshine Pack & Ship, Navis Pack & Ship, and Handle With Care Packaging Store. We offer franchises under the following trademarks and trade names: PostalAnnex®, PostalAnnex+®, PA+®, PA+ Express Business Centers®, Pak Mail®, AIM Mail®, AIM Mail Centers®, Parcel Plus®, Sunshine Pack & Ship®, Navis Pack & Ship®, Handle With Care Packaging Store®, and Pak Mail Freight™. Our principal business address is 7580 Metropolitan Drive, Suite 200, San Diego, California 92108. We have a Denver logistics center office located at 12742 E. Caley Avenue, Unit 2A, Centennial, Colorado 80111. We have no parent or predecessor. Our agents for service of process are disclosed in Exhibit A.

We have a National Logistics Services® (“NLS”) department that has been operating nationally since January 2011 to generate and fulfill requests involving services to be performed outside of our commercial center franchisees’ territories. Our Denver logistics center office staff typically subcontracts with nearby franchisees, or with 3rd party agents, to fulfill the requests. The NLS department uses Internet advertising efforts, and sometimes uses targeted marketing efforts in specific metropolitan markets, to generate requests involving services to be performed outside of our commercial franchisees’ territories.

We have offered commercial center franchises since September 2006. We offered commercial center and commercial moving regional licenses in the same line of business from 2008 to 2017.

We have operated a flex retail center since April 2016, and we operated retail centers from July 1985 to January 1998 (see descriptions below). We have offered retail center franchises under a separate disclosure document since October 1986. We offered Annex Copy Center franchises from 2014 to 2019, and PostalAnnex+ retail center regional licenses from 1987 to 2017. We have not engaged in any other line of business, and have not offered franchises in any other line of business.

Pak Mail Centers of America, Inc. (“PMCA”), a Colorado corporation formed on January 27, 1984, is our affiliate. In their geographical areas, PMCA regional licensees have offered retail center franchises and assisted retail center franchisees on its behalf since July 1994. PMCA has not offered franchises in any other line of business and its principal address is the same as ours. See below under Background for more information regarding our acquisition of PMCA.

Commercial Center Franchises and Businesses

By this franchise disclosure document, we offer commercial center franchises under the Navis Pack & Ship, Handle With Care Packaging Store and Pak Mail Freight brands. Commercial centers typically are located in physical warehouses in light industrial areas; offer packaging, shipping and moving services; and specialize in jobs that require expert packaging and worldwide shipping of items that may be too fragile, large, awkward and/or valuable for retail centers. Commercial centers also offer pick-up and delivery services, and crating and transportation services for large freight. Some commercial centers have expanded offerings that include commercial and household moving, and other relocation products and services.

A franchised commercial center features a distinctive format and method of doing business, including color scheme, signs, equipment, layouts, systems, methods, procedures, designs, technology, sales and marketing business models, and marketing and advertising standards and formats. (The term “including,” as used in this disclosure document and the franchise agreement and its attachments, means “including, among other things,” “including, among others,” “including, but not limited to,” “including, for example,” and “including, without limitation.”) Under your franchise agreement, you will operate a business providing custom packing, crating, domestic and international shipping for “difficult-to-ship” items, and will provide small move services to commercial and residential “Customers” (individuals or business entities for whom services, quotes, jobs, or transactions are provided whose origins are based on the locations at which items are picked up by commercial center personnel and/or 3rd party carriers). Difficult-to-ship items may be fragile, large, awkward and/or valuable (“FLAV”) items, such as antique furniture, fine art, trade show items, commercial and industrial machinery, and business and medical equipment. Some commercial centers have expanded offerings to include commercial and household moving, and other relocation products and services.

You must sign our franchise agreement and attachments (Exhibit B). You must operate your commercial center under the designated trademark according to the standards and specifications in the franchise agreement, and in our Confidential Operating Manual and Brand Trademark Style Guide (“Manuals”).

Retail Center Franchises

Under a separate franchise disclosure document, we offer franchises for PostalAnnex, PostalAnnex+, Pak Mail, AIM Mail, Parcel Plus, Handle With Care Packaging Store, and Sunshine Pack & Ship standard retail centers, which sell business support, mailbox, package receiving, postal, printing, copying, packaging, shipping, office supply, passport photo, notary, fingerprinting, and related products and services. PostalAnnex, PostalAnnex+, Pak Mail, AIM Mail, Parcel Plus, Handle With Care Packaging Store, and Sunshine Pack & Ship standard retail centers typically require about 800 to 1,500 square feet of space.

We also offer franchises for PostalAnnex, PostalAnnex+, Pak Mail, AIM Mail, Parcel Plus, Handle With Care Packaging Store, and Sunshine Pack & Ship flex retail centers that sell some of the services of a standard retail center and express retail center, as well as crating, pick-up and delivery services, and also sell boxes and packaging material. PostalAnnex, PostalAnnex+, Pak Mail, AIM Mail, Parcel Plus, Handle With Care Packaging Store, and Sunshine Pack & Ship flex retail centers typically require about 800 to 1,500 square feet of space.

We also offer franchises for PostalAnnex, PostalAnnex+, Pak Mail, AIM Mail, Parcel Plus, Handle With Care Packaging Store, and Sunshine Pack & Ship express retail centers. Express

retail centers generally only require about 500 square feet of space. Express retail centers typically are located in office and retail buildings, airports, convention centers, hotels, supermarkets, shopping malls and other public buildings; in rural locations where the population density may be insufficient to support standard retail centers; or in locations where space constraints prevent the offering of all products and services.

See our Retail Center Franchise Disclosure Document for more information on these retail center franchises.

Competition

You will compete with local, regional and national businesses performing similar services and other franchises that include packaging and shipping in their franchise programs, including possibly businesses operating under other brands and sub-brands of ours, and other unrelated brands. Your competitors may have greater resources, numbers of units, geographical coverage and/or superior name recognition. The market for these products and services is well-developed in most areas of the United States. The “difficult-to-ship” market is a developing market and has the potential of growth with increased public awareness. We assist you by the use of our descriptive names, interior design, marketing methods, supplier arrangements, advertising, marketing and promotion programs, and with our comprehensive training program.

Compliance with Laws

In general, states require sales and use tax licenses, local business licenses, and compliance with various state and local government regulations and authorities to operate a business. You must comply with all zoning, land use, environmental, labor relations, sanitation, safety, fire, and all other applicable laws, as well as laws and regulations relating to access by disabled persons. Examples include: 1) USPS regulations; 2) inspection of scales by the local, state and federal Departments of Weights and Measures; 3) laws governing the shipment and transport of hazardous substances, alcoholic beverages, firearms, lithium batteries, food, plants, agricultural products and animals; 4) certain air cargo restrictions instituted under various Homeland Security-related laws; 5) licensing of drivers according to commercial driver licensing laws and regulations; (6) laws governing international shipping; (7) laws and regulations by state and federal agencies for moving companies, including the U.S. Department of Transportation’s Federal Motor Carrier Safety Administration, (8) licensing requirements, rules, and tariffs governing the transportation and delivery of household goods and general commodities, both in transportation domestically and internationally, and (9) laws governing international wood packaging requirements, specifically the production of products that comply with ISPM-15 regulations.

You must comply with all local, state and federal laws applicable to businesses in general, including the Americans with Disabilities Act, Federal Wage and Hour Laws and the Occupational Safety and Health Act. You must comply with laws, regulations, industry standards, and PCI Data Security standards as required for merchants that accept payment cards. You should independently research the need for you to hold any licenses or satisfy any other legal requirements, before you sign any binding documents or make any investments. General regulations associated with operating businesses, including zoning restrictions, may affect the operation of your commercial center, and you should investigate them. It is your sole responsibility, on an ongoing basis, to investigate and satisfy all local, state and federal laws, since they vary from place to place and can change over time. There is no assurance that you will be able to obtain permits, variances, etc. on a cost-effective and timely basis in order to construct and develop your commercial center. If you

are unable to obtain necessary permits, licenses, etc., or if you fail to comply with other governmental regulations, it could have a material adverse effect on your business operations and results of operations, as well as result in delays in opening your commercial center. We also require your compliance with all provisions of the USA Patriot Act and Executive Order 13224, which prohibit transactions with persons involved in terrorism.

We are not aware of any other regulations specific to the operation of your commercial center, although you must comply with all local, state and federal laws applicable to businesses in general. You should also investigate whether there are state or local regulations and requirements that may apply in the geographic area in which you intend to conduct business and should consider both their effect and cost of compliance.

Background

On April 20, 2016, we acquired PMCA, a Colorado corporation that maintained its principal place of business at 12742 E. Caley Avenue, Unit 2A, Centennial, CO 80111. PMCA is now our wholly-owned subsidiary and our affiliate as described above. PMCA offered franchises and area development agreements for businesses similar to our retail centers and commercial centers, and operated under the trade name Pak Mail from January 1984 until April 2016. The acquired franchises will continue to operate under the trade name Pak Mail. We offer and sell Pak Mail franchises under a separate FDD. See our Retail Center Franchise Disclosure Document for more information on these franchises.

On October 31, 2014, we acquired substantially all of the franchise assets and programs of Eagle Franchise Systems, Inc. (“EAGLE”), a Texas corporation that maintained its principal place of business at 12715 Telge Road, Cypress, TX 77429. EAGLE is a wholly-owned subsidiary of International Center for Entrepreneurial Development, Inc. (“ICED”), a Delaware corporation that maintains its principal place of business at 12715 Telge Road, Cypress, TX 77429. ICED is also the parent company of Kwik Kopy Corporation, The Ink Well of America, Inc., American Wholesale Thermographers, Inc., Franklin’s Systems, Inc., Kwik Kopy Business Centers, Inc., Computertots, Inc., ICED Management, Inc., and Telge Leasing, Inc. On July 28, 2000, EAGLE purchased the franchise assets and programs from Parcel Plus, Inc. (“PPI”), a California corporation. EAGLE offered franchises for businesses similar to our retail centers and operated under the trade name Parcel Plus from July 2000 to October 2014 and PPI offered franchises for business similar to our retail centers and operated under the trade name Parcel Plus from 1988 to July 2000. The acquired franchises will continue to operate under the trade name Parcel Plus. We do not offer and sell Parcel Plus franchises under a separate FDD. See our Retail Center Franchise Disclosure Document for more information.

On August 11, 2011, we acquired substantially all of the franchise assets and programs of Amailcenter Franchise Corporation (“AFC”), a California corporation that maintained its principal place of business at 15550 D Rockfield Boulevard, Irvine, CA 92618. From 1987, AFC offered franchises for businesses similar to our retail centers and operated under the trade names AIM Mail and AIM Mail Centers. The acquired franchises will continue to operate under the trade names AIM Mail and AIM Mail Centers. We do not offer and sell AIM Mail Center franchises under a separate FDD. See our Retail Center Franchise Disclosure Document for more information.

On January 18, 2011, we acquired substantially all of the franchise assets and programs of Navis Logistics Management, Inc. (“NLM”), a Nevada corporation that maintained its principal place of business at 5675 DTC Boulevard, Suite 280, Greenwood Village, Colorado 80111. NLM is a

wholly-owned subsidiary of Navis Logistics Network, Inc., a Nevada corporation (“NLN”). NLN also is the parent company of The Packaging Store, Inc. (see below). From October 2000, NLM offered franchises for businesses operating under the trade name Navis Pack & Ship. The acquired franchises will continue to operate under the trade name Navis Pack & Ship. We offer and sell Navis Pack & Ship franchises under this FDD. See Item 20 for more information.

On September 4, 2007, we acquired substantially all of the franchise assets of The Packaging Store, Inc. (“PSI”), a Colorado corporation that maintained its principal place of business at 5675 DTC Boulevard, Suite 280, Greenwood Village, Colorado 80111. PSI is a wholly-owned subsidiary of Navis Logistics Network, Inc., a Nevada corporation. From 1984 to 1999, PSI offered franchises for businesses similar to your commercial center operating under the trade name Handle With Care Packaging Store. PSI did not offer franchises in any other line of business. The acquired franchises will continue to operate under the trade name Handle With Care Packaging Store. We offer and sell Handle With Care Packaging Store franchises under this FDD (see Item 20 for more information) and under a separate FDD (see our Retail Center Franchise Disclosure Document for more information on these franchises).

On September 1, 2006, we acquired substantially all of the franchise assets of Sunshine Pack & Ship USA Corp. (“Sunshine”), a Florida corporation that maintained its principal place of business at 6408 Parkland Drive, Suite 104, Sarasota, Florida 34243. From April 2002 to August 2006, Sunshine offered franchises and area development agreements for businesses similar to our retail centers under the trade names Sunshine Pack & Ship Retail Center, Sunshine Pack & Ship Logistics Center, Sunshine Global Logistics, SPS Moving and SPS Auctions. Sunshine did not offer franchises or area development agreements in any other line of business. The acquired franchises and area developers may continue to operate under the Sunshine Pack & Ship trade names. We do not offer and sell Sunshine Pack & Ship franchises under a separate FDD. See our Retail Center Franchise Disclosure Document for more information.

Item 2

BUSINESS EXPERIENCE

Chief Executive Officer, President, Chairman, and Director: Patrick Edd

Patrick Edd is our Chief Executive Officer, President, Chairman, and a Director. Mr. Edd's recent employment history is:

DATES	TITLE	EMPLOYER
12/22 - present	Chief Executive Officer, President, Chairman & Director	
6/18 – 12/22	Chief Executive Officer, President, CFO, Chairman, & Director	Annex Brands, Inc. San Diego, CA
3/91 – 6/18	Various titles, from Vice President of Finance & Administration to President, CFO & Director	Annex Brands, Inc. San Diego, CA

Executive Vice President: Sean Hilly

Sean Hilly is our Executive Vice President. Mr. Hilly's recent employment history is:

DATES	TITLE	EMPLOYER
4/16 - present	Executive Vice President	Annex Brands, Inc. San Diego, CA
1995 - 4/16	Various titles, from Vice President of Franchise Services to Senior Vice President	Annex Brands, Inc. San Diego, CA

Chief Financial Officer: TanaSue Carpenter

TanaSue Carpenter is our Chief Financial Officer. Ms. Carpenter's recent employment history is:

DATES	TITLE	EMPLOYER
12/22 – present	Chief Financial Officer	Annex Brands, Inc. San Diego, CA
11/20 – 12/22	Vice President of Finance	Annex Brands, Inc. San Diego, CA
8/18 – 11/20	Controller and Executive Director of Finance	Annex Brands, Inc. San Diego, CA
5/17 – 8/18	Controller	Annex Brands, Inc. San Diego, CA
6/12 – 5/17	Director of Accounting	Annex Brands, Inc. San Diego, CA

Senior Vice President of Franchise Compliance: Mary Ann Canup

Mary Ann Canup is our Senior Vice President of Franchise Compliance. Ms. Canup's recent employment history is:

DATES	TITLE	EMPLOYER
11/19 – present	Senior Vice President of Franchise Compliance	Annex Brands, Inc. San Diego, CA
5/94 – 11/19	Various titles, from Administrative Assistant & Receptionist to Vice President of Franchise Compliance	Annex Brands, Inc. San Diego, CA

Senior Vice President of Franchising: Ryan Heine

Ryan Heine is our Senior Vice President of Franchising. Mr. Heine's recent employment history is:

DATES	TITLE	EMPLOYER
9/21 – present	Senior Vice President of Franchising	Annex Brands, Inc. San Diego, CA
11/20 – 9/21	Senior Vice President of Franchising & Marketing	Annex Brands, Inc. San Diego, CA
6/18 - 11/20	Senior Vice President of Franchising	Annex Brands, Inc. San Diego, CA
4/16 – 6/18	Vice President of Franchising	Annex Brands, Inc. San Diego, CA
8/02 – 4/16	Various titles, from Franchise Development Associate to Executive Director of Franchising	Annex Brands, Inc. San Diego, CA

Vice President of Marketing: Michelle McKee

Michelle McKee is our Vice President of Marketing. Ms. McKee's recent employment history is:

DATES	TITLE	EMPLOYER
9/21 – present	Vice President of Marketing	Annex Brands, Inc. San Diego, CA
10/20 – 9/21	Executive Director of Marketing	Annex Brands, Inc. San Diego, CA
2/19 – 5/20	Director of Marketing	Belmont Park Entertainment, LLC San Diego, CA
2/18 – 1/19	Director of Marketing	San Diego Coaster Company, LP San Diego, CA
9/15 – 2/18	Director of Marketing	Flippin Pizza International, LLC San Diego, CA

Vice President of Real Estate and Leasing: Chris Kimball

Chris Kimball is our Vice President of Real Estate and Leasing. Mr. Kimball's recent employment history is:

DATES	TITLE	EMPLOYER
11/20 – present	Vice President of Real Estate & Leasing	Annex Brands, Inc. San Diego, CA
8/18 – 11/20	Executive Director of Real Estate & Leasing	Annex Brands, Inc. San Diego, CA
11/05 – 8/18	Various titles, from Franchise Placement Specialist to Director of Real Estate & Leasing	Annex Brands, Inc. San Diego, CA

International Ocean Officer: Joanne Kirkpatrick

Joanne Kirkpatrick is our International Ocean Officer. She is located in Centennial, Colorado. Ms. Kirkpatrick's recent employment history is:

DATES	TITLE	EMPLOYER
4/11 - present	International Ocean Officer	Annex Brands, Inc. San Diego, CA

Director: Robert B. Lazarus

Robert Lazarus is 1 of our Directors. He is located in San Diego, CA. Mr. Lazarus's recent employment history is:

DATES	TITLE	EMPLOYER
10/10 - present	Director	Annex Brands, Inc. San Diego, CA
8/18 – present	Partner	Lazarus, Goldberg & Associates, LLP
1997 - 8/18	Partner	Carne, Lazarus & Goldberg, LLP San Diego, CA

Director: Michael Millerick

Michael Millerick is 1 of our Directors. He is located in San Diego, CA. Mr. Millerick's recent employment history is:

DATES	TITLE	EMPLOYER
12/17 - present	Director	Annex Brands, Inc. San Diego, CA
1/17 - present	Principal	The Millerick Law Firm San Diego, CA
1/05 - 12/16	President	The Millerick Law Firm, APC San Diego, CA

Item 3

LITIGATION

Pending Actions:

None.

Concluded Actions:

Salvador Fugrad, Catalina Fugrad and SCF Group, LLC v. Al Firebaugh, Marina Firebaugh and Annex Brands, Inc., Case No. DS1504939, San Bernardino County Superior Court. On April

2, 2015, our franchisee, Salvador and Catalina Fugrad, and their entity, SCF Group, LLC (collectively "Plaintiffs"), filed a complaint against the Firebaughs, former owners of the PostalAnnex+ franchise currently owned by Plaintiffs, and us (collectively "Defendants") as the result of a claim made by Wilshire Bank, successor-in-interest to Saehan Bank. Wilshire Bank claimed that it was the holder of a secured lien against the assets of the franchised business, based on a 2004 loan from Saehan Bank to Dinah S. Pak, the original franchisee for the location, although Ms. Pak filed for Chapter 7 bankruptcy and received a discharge of all debts, including any claim held by Saehan Bank, on December 10, 2009 (Case No. 8:09-bk-16951-TA; U.S. Bankruptcy Court, Central Dist. of CA, Santa Anna Div.). Plaintiffs alleged claims for fraud and intentional and negligent misrepresentation for failure to disclose the existence of the lien, a right to a refund for money had and received by the Defendants, a breach of implied-at-law contract and unjust enrichment. Plaintiffs sought general and special damages in excess of \$28,000, exemplary and punitive damages of \$500,000, and attorneys' fees and costs. On July 31, 2015, we filed a motion to stay the lawsuit and compel binding arbitration as required by the terms of the franchise agreement, which the court granted on August 26, 2015. On April 12, 2016, the court dismissed the case without prejudice due to the Plaintiffs' failure to move forward with binding arbitration.

In re Vernon S. Lawrence Sr. and Patricia-Ann M. Lawrence, Case Number 12-12980, United States Bankruptcy Court for the District of Rhode Island. On September 12, 2012, Pak Mail franchisees, Vernon and Patricia-Ann Lawrence, filed for Chapter 13 bankruptcy protection, which was converted to a Chapter 7 proceeding on October 12, 2012. On December 11, 2012, PMCA moved for relief from the automatic stay to enforce the non-competition provisions in the franchise agreement. On February 7, 2013, the bankruptcy court granted relief from the automatic stay, and on March 5, 2013, PMCA filed a Verified Complaint and Demand for Injunctive Relief against the former franchisees ("Defendants"), in Colorado state court (Pak Mail Centers of America, Inc. v. Patricia Ann M. Lawrence and Vernon S. Lawrence, Sr., Case Number 13-CV-423, Arapahoe County District Court). On April 4, 2013, the Defendants (now, Counter Plaintiffs) filed counterclaims against PMCA in the state court action alleging breach of contract, breach of the covenant of good faith and fair dealing, and violation of the Rhode Island Fair Dealership Act. On August 26, 2013, the parties reached a settlement, which in exchange for mutual releases, the Defendants/Counter Plaintiffs dismissed all of their counterclaims, paid PMCA \$10,000, and agreed not to own or operate a competing business for 1 year within a 25-mile radius of the franchise location. The case was dismissed with prejudice by the court on September 5, 2013.

Actions Initiated by Us or Our Affiliates in Our Last Fiscal Year:

None.

Other than the actions described above, no litigation is required to be disclosed in this Item.

Item 4

BANKRUPTCY

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

Item 5

INITIAL FEES

Initial Franchise Fee

You must pay us a \$29,950 initial franchise fee. The initial franchise fee is due when you sign the franchise agreement. Except in the circumstances described below, the initial franchise fee is uniform for all commercial centers.

If you are an honorably discharged veteran of the U.S. armed forces and meet our requirements, under our participation in the International Franchise Association's VetFran Program, we will discount the initial franchise fee by 20% (\$5,990), and you will pay us a \$23,960 initial franchise fee.

If you already own and operate a commercial center or one of our retail centers (see our Retail Center Franchise Disclosure Document for more information), we will discount the initial franchise fee by 50% (\$14,975), and you will pay us a \$14,975 initial franchise fee for your 2nd or further additional commercial center. However, if you are an honorably-discharged veteran of the U.S. armed forces and meet our requirements, under our participation in the International Franchise Association's VetFran Program, we will discount the initial franchise fee by an additional 20% (\$2,995), and you will pay us an \$11,980 initial franchise fee.

If an existing business qualifies (see below) to convert to a commercial center, we will discount the initial franchise fee by 50% (\$14,975). You will pay us a \$14,975 initial franchise fee and a \$0-\$4,000 conversion training fee (see information below). However, if you are an honorably-discharged veteran of the U.S. armed forces and meet our requirements, under our participation in the International Franchise Association's VetFran Program, we will discount the initial franchise fee by an additional 20% (\$2,995), and you will pay us an \$11,980 initial franchise fee.

If you already own and operate a commercial center or one of our retail centers, and an existing business qualifies (see below) to convert to a commercial center as your 2nd or further additional commercial center, you will pay us a \$5,000 initial franchise fee. However, if you are an honorably-discharged veteran of the U.S. armed forces and meet our requirements, under our participation in the International Franchise Association's VetFran Program, we will discount the initial franchise fee by an additional 20% (\$1,000), and you will pay us a \$4,000 initial franchise fee.

We may offer special venue programs or special conversion programs to independent owners to convert their businesses to commercial centers, and may waive or discount the initial franchise fee, or provide credits and other considerations based on their existing businesses' ages, venues and sales volumes.

We will consider the following factors, among others, to determine if a business being converted to a commercial center will qualify for a reduced initial franchise fee:

1. Whether the location and size of the business is similar to that of a typical commercial center;

2. Whether the business offers primarily the same services that a Navis Pack & Ship commercial center, Handle With Care Packaging Store commercial center or Pak Mail Freight commercial center offers;

3. Whether the business has been operating for a substantial time to create significant goodwill, judged by gross revenue and Customer counts; and

4. Whether the business is adaptable to the Navis Pack & Ship commercial center, the Handle With Care Packaging Store commercial center or the Pak Mail Freight commercial center systems, with due consideration to services provided, equipment, fixtures, furniture and decor.

We will make our decision as to the amount of your initial franchise fee, and whether you qualify for the reduced initial franchise fee, after we evaluate the business and before you sign the franchise agreement.

Any commercial center franchise purchased at a reduced initial franchise fee must be built out and operational within 270 days after you sign the franchise agreement, or we may terminate the franchise (see below). If you pay a discounted initial franchise fee, you must own and operate the commercial center for at least 1 year after the date of opening; otherwise, if you sell the commercial center before the end of the 1-year period, you must pay us the discount amount ranging from \$14,975 to \$25,950, based on the discounts noted above, as applicable, when the commercial center is sold.

If you are assuming the operation of an commercial center by transfer, you will not pay us an initial franchise fee.

The initial franchise fee is fully earned when paid and non-refundable in consideration for administrative and other expenses that we incur in entering into the franchise agreement, and for lost or deferred opportunity to enter into a franchise agreement with others, except that:

1. If, before or during initial training, we, in our business judgment, determine that you cannot successfully complete or are not making satisfactory progress in your initial training, we may terminate the franchise. If we terminate the franchise, we may refund the initial franchise fee, less \$8,000 to compensate us for services to you to that point (including site evaluation and selection, Center layout, travel and living expenses, compensation to our employees and agents, legal fees and related expenses, and other pre-opening supervision and advice), and less any actual out-of-pocket expenses, including any broker referral fees that we may have been required to pay in connection with your execution of the franchise agreement. Any refund will be our only obligation to you. You and any of your owners will execute general releases, in forms satisfactory to us.

2. If you do not locate and open an acceptable site for a physical warehouse for your commercial center within 270 days after you sign the franchise agreement (except for delays caused by us or the site owner), we may terminate the franchise. You may apply for a 6-month extension to open a physical warehouse. Any extension will be subject to our review and prior written approval in our business judgment. If we do not grant you the 6-month extension and you do not open a physical warehouse, we may terminate the franchise. If we grant you the 6-month extension and you do not open a physical warehouse within the extended time, we may terminate the franchise. If we terminate the franchise before you begin initial training, we may refund the initial franchise fee less \$8,000 to compensate us for services to you to that point (including site evaluation and selection, Center layout, travel and living expenses, compensation to our employees and agents, legal fees and related expenses, and other pre-opening supervision and advice), and

less any actual out-of-pocket expenses, including any broker referral fees that we may have been required to pay in connection with your execution of the franchise agreement. Any refund will be our only obligation to you. You and any of your owners will execute general releases, in forms satisfactory to us. If we terminate the franchise after you begin initial training, we will not refund any of the initial franchise fee.

3. If you decide to purchase an existing business instead of opening a new business after you sign the franchise agreement, we will not refund any of the initial franchise fee, whether or not we terminate the franchise.

4. If, before you begin initial training, you decide not to continue as a franchisee, and if we approve termination of the franchise and determine that you are entitled to a refund, we may refund the initial franchise fee, less \$8,000 to compensate us for services to you to that point (including site evaluation and selection, Center layout, travel and living expenses, compensation to our employees and agents, legal fees and related expenses, and other pre-opening supervision and advice), and less any actual out-of-pocket expenses, including any broker referral fees that we may have been required to pay in connection with your execution of the franchise agreement. Any refund will be our only obligation to you. You and any of your owners will execute general releases, in forms satisfactory to us. If we terminate the franchise after you begin initial training, we will not refund any of the initial franchise fee.

If we terminate the franchise for any of the reasons above, you will continue to be bound by the provisions in Section 18 of the franchise agreement.

New Center/New Owner Marketing Program Deposit

You must deposit with us \$5,500 before or at initial training, for a new commercial center or for a commercial center being converted from an existing business, or on or before the closing date of a transfer, if you assume operation of an existing retail center by transfer. We will use the deposit to advertise your commercial center before and for about 90 days after, you (i) open the physical warehouse of your commercial center, (ii) assume the operation of an existing commercial center by transfer, or (iii) convert an existing business to a commercial center. The deposit will not cover signage (including electronic signs), window graphics, banners, logo floor mats, etc. We may allocate up to \$300 of the deposit to purchase required initial logo attire. The deposit is non-refundable if you (i) attend initial training, even if you do not open or convert your existing business to a commercial center, (ii) open your commercial center, (iii) assume the operation of an existing commercial center by transfer, or (iv) convert an existing business to a commercial center. The deposit is uniform for all franchisees, including new commercial centers, transfers, and conversions of existing businesses to commercial centers. See Items 6, 7 and 11.

Technology License Fee

At the time you sign your franchise agreement, you also must sign the ABConnect license agreement for your new commercial center or for a commercial center being converted from an existing business. You must pay us a nonrefundable, one-time technology license fee of \$6,250 for the right to use the web-based operating system developed for us for use in the operation of a packing/shipping/logistics business (the “ABConnect System”). If you are acquiring an existing commercial center by transfer, you must sign the then-current ABConnect license agreement and pay us a nonrefundable technology license transfer fee of \$350, if the commercial center will be in the same location. The technology license transfer fee is subject to change after at least 15 days’

notice to you. The ABConnect System consists of integrated software components and web portal technology. See Attachment 6 to the franchise agreement.

Centralized Freight Billing Deposit

Before or at initial training, you must deposit with us a \$750 centralized freight billing deposit for a new commercial center. If you convert an existing business to a commercial center, or if you acquire an existing commercial center by transfer, the deposit will be 3 times the last weekly average freight billing (weekly average based on the previous 52-week freight billing period), subject to a minimum of \$750 (with the range typically being \$750 to \$2,750). The deposit will be retained by us to ensure payment by you of centralized freight billing invoices. We may use the deposit at any time to pay any past due centralized freight billing invoices or other amounts due to us in our business judgment. On selling (transfer), expiration, termination, non-renewal or closure of your commercial center, the deposit will be retained by us until all centralized freight billing invoices are received by us (up to 60 days), and we will apply the deposit toward any centralized freight billing invoices or other amounts due to us. We will partially refund this deposit to you if centralized freight billing invoices or other amounts due to us are less than the deposit. If invoices or other amounts due to us are more than the deposit, we will bill you for the overage. The deposit is non-refundable if you (i) attend initial training, even if you do open or convert your commercial center, (ii) open your commercial center, (iii) assume the operation of an existing commercial center by transfer, or (iv) convert an existing business to a commercial center. We may review and change the deposit after at least 15 days' notice to you. The deposit is uniform for all franchisees, including new commercial centers, transfers, and conversions of existing businesses to commercial centers. See Items 7, 8 and 11.

Interior and Exterior Signage, Equipment, Supplies, and Initial Inventory

You must purchase interior and exterior signage, equipment, supplies, and initial inventory from us or approved suppliers costing up to about \$24,500 for a new commercial center or a conversion commercial center. This cost is payable before or during construction, is non-refundable, and varies based on the types and amounts of interior and exterior signage, equipment, supplies, and initial inventory needed. See Items 7, 8 and 11. We do not install the signage. You must engage a qualified installer to install interior signage and/or a licensed contractor to install the exterior signage, all according to local governmental regulations and authorities.

Conversion Training Fee

If you convert an existing business to a commercial center, you must pay us a \$4,000 conversion training fee when you sign the franchise agreement, unless you already own and operate one of our commercial centers or one of our retail centers. This fee is non-refundable and is uniform for all conversion franchisees. See Items 7 and 11.

Transfer Training and Processing Fee

If you acquire an existing commercial center by transfer, you must pay us a \$4,000 training and processing fee, before initial training or before transfer, whichever occurs first, unless you already own and operate one of our commercial centers or one of our retail centers. This fee is non-refundable and is uniform for all transferee franchisees. See Items 7 and 11.

On-Site Initial Training

At a time when our personnel are available, we will provide on-site initial training at your commercial center for up to 4 days for a new franchisee or 1 day for a transfer or existing franchisee, at no charge to you. At your request, and at a time when our personnel are available, if you require additional training after this initial on-site training, we may require you to pay our daily fee (currently \$250 per person), and our costs for transportation, lodging and meals. Salaries and other charges for our personnel time will be at our expense.

In our fiscal year ended September 30, 2022, no franchises were granted for less than the standard initial franchise fees described above.

Except for the circumstances described in this Item, we do not refund initial fees.*

Item 6

OTHER FEES

Type of Fee (1)	Amount	Due Date	Remarks
Royalty fee	6% of Gross Volume received or earned during the preceding weekly period of Monday through Sunday (2)	Weekly on Wednesday of each week for the preceding week	We may establish other due dates. You must report Gross Volume. You must pay us by automatic bank draft. (3)
Marketing fee (4)	3% of Gross Volume received or earned during the preceding weekly period of Monday through Sunday (2)	Weekly on Wednesday of each week for the preceding week	We may establish other due dates. You must report Gross Volume. You must pay us by automatic bank draft. (3) We administer a system-wide marketing fund.
Regional marketing and advertising program ("RMA")	Greater of 1% of Gross Volume or your per capita share of costs incurred by RMA (2)	Weekly on Wednesday, after the close of business, for the preceding week	You must participate in an RMA (see Item 11 for further details). You pay fees by automatic bank draft, either to the RMA or directly to us, at our option. (3)
RMA additional dues	Your proportionate share of campaign cost	When assessed	The members of an RMA may vote to carry out special marketing or promotional campaigns. The amount of the additional dues will depend on the extent of the campaign. All members of the RMA have a vote on the decision to assess additional dues.
Referral fees	Currently, 5% of gross billed price you charge for the job	As incurred	The fee is subject to change after at least 15 days' notice to you. Due when you perform work with another franchisee's Customer.

Type of Fee (1)	Amount	Due Date	Remarks
New center development referral fees (5)	Currently, 5% of gross billed price you charge for the job during the 1-year period after the opening of the new center, whichever comes first	As incurred	The fee is subject to change after at least 15 days' notice to you. Due when you perform work for another franchisee whose Customer was referred to you as part of your new center development.
Insurance for freight or transit damage and related risks	Generally, \$0.45 up to \$1.30 per \$100 of property valuation (typically this expense is passed through to the Customer after being marked up by you)	Payable weekly with royalty and marketing fee payments	You must participate in any group-wide or other insurance program that we designate regarding freight or transit damage and related risks. Premiums typically are billed to the Customer at the time of shipment, and are based on the level of deductible chosen per \$100 unit of coverage and the declared value of the items tendered for shipping, the carrier used, and whether the shipment is domestic or international. In our business judgment, we may increase the rate if you have a high number of claims due to improper packaging and shipping standards (generally, \$0.59 to \$1.69 per \$100 of property valuation) after at least 15 days' notice to you. Premiums are subject to change after at least 15 days' notice to you. Payable weekly, or as otherwise designated, to us or through us to our designated suppliers. You must pay us by automatic bank draft. (3)
Centralized freight billing program processing fee	Currently, \$5.00 per freight shipment processed and billed	Payable weekly with royalty and marketing fee payments	We may establish other due dates. Fee is subject to change after at least 15 days' notice to you if our costs increase. Payable directly to or through us to our designated suppliers. You must pay us by automatic bank draft. (3)
ABConnect software upgrade fee	Reasonable fee	As incurred	Payable to us if upgrades or enhancements to the software or Internet web portal technology are developed.
ABConnect technology license transfer fee	\$350	On or before the closing date of the transfer	Fee is subject to change after at least 15 days' notice to you. You must pay us. Our approval is required for transfer.

Type of Fee (1)	Amount	Due Date	Remarks
Customized web pages or website, email addresses and e-commerce services (6)	Reasonable fee (6)	10 days after invoice for customized web pages or website and e-commerce and each Wednesday for additional center email addresses	If we have a corporate-managed website, you may receive our standard web pages for free. If available, you may request to customize portions of your web pages or create a customized website with our approval and for a fee, and you may purchase e-commerce services with our approval and for a fee. If we provide center email addresses, you may use up to 2 center email addresses for free. Currently, there is a \$7 charge per week for each additional email address. Our fee is subject to change on 15 days' notice to you. You must pay us by automatic bank draft. We may establish other due dates or fees. We may offer e-commerce services to you, which you may choose to use. (3)
Special field assistance fee (7) & (10)	Currently, \$250 per day per person, plus expenses	10 days after invoice	If required, you must pay our then-current daily fee and our out-of-pocket expenses.
Management fee (7) & (10)	Currently, \$250 per day per person, plus expenses	10 days after invoice	If we manage your commercial center because of your illness, incapacity, death or failure to timely cure a default, or because the franchise expires, terminates or is not renewed, you must pay our then-current daily fee and our out-of-pocket expenses.
National convention registration fee (per person) (8)	Currently, estimated proportionate share of our out-of-pocket costs for hosting, meals, and convention activities	Before convention	We may hold a national convention about every 10 to 18 months. You and/or your designated personnel must attend the full program of, and stay at the designated hotel of, each national convention. The registration fee is assessed per person attending a national convention. You must pay travel and incidental expenses for yourself and/or your personnel who attend.
National convention hotel fee (8)	Currently, room charge, taxes and fees for 1 room at the convention hotel during the convention dates	Before convention	The hotel fee is for 1 room during the convention dates. You must pay for any additional rooms, and for travel and incidental expenses for yourself and/or your personnel that are not covered by the hotel fee.

Type of Fee (1)	Amount	Due Date	Remarks
National convention participation deposits (9)	Currently, \$25 per week	Weekly on Tuesday beginning after you (i) open the physical warehouse of your commercial center, (ii) assume the operation of an existing commercial center by transfer, or (iii) convert an existing business to a commercial center.	The national convention participation deposits are subject to change after at least 15 days' notice to you. We may establish other due dates. You must pay us by automatic bank draft. (3)
Regional meetings	Currently, there is no registration fee for any regional meeting, but we may in the future charge a fee, estimated to be a proportionate share of our out-of-pocket costs for hosting the meetings.		We may organize and periodically hold regional meetings. You and/or your designated personnel must attend any regional meetings held in your geographic area. You must pay travel, lodging and meal expenses for yourself and/or your personnel who attend.
Fee for optional training program (10)	Not to exceed \$250 per day; not to exceed more than 10 days per year	Before or at the time training is provided	Payable to us
Sales consultant fee	\$12,000 to \$36,000	On or before the closing date of the transfer	If you use the services of any of our sales consultants (including outside agencies and brokers) to complete the transfer of your commercial center, then, before transfer, you or the transferee must reimburse us an amount equal to any commission or other sales compensation that we must pay.
Transfer of franchise (11)	15% of then-current non-discounted initial franchise fee	On or before the closing date of the transfer	If you or selling franchisee qualifies for the VetFran Program, a 20% VetFran discount will be applied to the transfer fee. No more than 1 VetFran discount will be applied to the transfer fee.
Transfer of franchise to immediate family member (11)	Currently, \$750	On or before the closing date of the transfer	If you transfer controlling ownership interest in the franchise to an immediate family member as defined in the franchise agreement.
Transfer of franchise to your legal entity (12 & 13)	Currently, \$350	On or before the transfer	If you as (an) individual(s) transfer to a legal entity (corporation, limited liability corporation, partnership, trust, etc.)
Entity name change (non-transfer) (12)	Currently, \$350	Before change	If you (a corporation, limited liability corporation, partnership, trust, etc.) change the name of your legal entity.
Ownership change (non-transfer) (12)	Currently, \$350	Before change	If you change less than a controlling ownership interest in the franchise

Type of Fee (1)	Amount	Due Date	Remarks
Renewal	\$5,000	Before renewal	Depending on the type of commercial center that you operate, if you are in good standing and meet our then current qualifications for new franchisees and we are offering a renewal package for that type of center at the time that you renew, you may be eligible for certain benefits and/or facility upgrades.
Audit (14)	Cost of audit (\$475 minimum) including the charges of any independent auditors and their travel expenses, room and board, and applicable per diem charges for our and their employees, plus 1.5% per month interest or the highest rate allowed by law on underpayment. In addition, you must pay us a late fee of \$25 per week.	10 days after invoice	Payable to us if an inspection or audit is made necessary due to your failure to furnish reports, records, or other information to us on a timely basis, or if audit shows that you have understated any amount owed to us by more than 2% for any accounting period or a history of similar under-reporting offenses. You must pay us by automatic bank draft. (3)
Failure to provide audit documents (15)	\$500 per type of document not supplied on auditor's request, but in no event an amount greater than \$2,500 per occurrence and cost of audit including reasonable expenses incurred by auditor if rescheduled.	10 days after invoice	Payable to us if required documentation is not available on audit date or on request. You must pay us by automatic bank draft. (3)
Failure to provide annual reports	\$500 per type of document not supplied, but in no event an amount greater than \$1,500 per occurrence	10 days after invoice	Payable to us if you do not supply, within 90 days after the end of the calendar year, annual financial statements, including income statement, balance sheet, and income tax return for that calendar year. You must pay us by automatic bank draft. (3)
Software upgrade fee	Reasonable fee	When we determine to adopt new or updated software system-wide	We have no current plans to discontinue use of the current software.
Bookkeeping, accounting, reporting and record retention systems fee	Reasonable fee	10 days after invoice	We may charge you a reasonable fee for any products or services we furnish to you in connection with the license, modification, maintenance or support of any systems.
Product or service payments	Actual supplier charges	10 days after invoice	We may require you to pay us for a supplier product or service, if it is provided in connection with a pricing incentive or other program.

Type of Fee (1)	Amount	Due Date	Remarks
Product, service or supplier evaluation fee	Our actual cost	Before review and evaluation	We may require you to pre-pay this fee, based on our estimated actual costs to evaluate the proposed product, service or supplier, which will be determined by factors such as testing and research costs, when you request our evaluation and approval of any product, service or supplier. (15)
Center maintenance	Our actual cost	10 days after invoice	If you do not maintain the condition and appearance of your commercial center as required by the franchise agreement, we may: 1) arrange for the necessary cleaning, repair, remodeling, upgrading, decorating or painting; and 2) replace the necessary fixtures, displays, signs, equipment, leasehold improvements or furnishings.
Replacement of salesperson or operations person	Our actual cost	10 days after invoice	If you fail to replace a salesperson or operations person within 60 days, we may choose to select a replacement until you fill the position.
Telephone and fax numbers or yellow pages advertising payments or deposit	Our actual cost or deposit based on usage	10 days after invoice	If we choose to be direct-billed for telephone and fax numbers or yellow pages advertising you use, you must pay us all amounts due. If you fail on 2 or more occasions to pay us any amounts due, we may require you to maintain a reasonable deposit with us based on your usage or on other relevant factors.
Customer satisfaction/quality control audit program costs	Our actual cost	10 days after invoice	If we institute any Customer satisfaction or quality control audit programs, we may require you to pay the program costs.
Late fee	Greater of \$25 or 10% of amount due, or highest amount allowed by law	10 days after invoice	1-time penalty on each overdue payment. You must pay us by automatic bank draft. (3)
Interest	Lesser of 1.5% per month or highest rate allowed by law	10 days after invoice	Payable on outstanding overdue amounts. You must pay us by automatic bank draft. (3)
Attorneys' fees and costs	Our actual cost	As incurred	Payable if your default causes us to incur legal expenses.
Indemnification	Our actual cost	As incurred	You must reimburse us for our expenses and damages in certain circumstances.

Note 1: Unless otherwise noted, all fees are payable to us, are uniformly imposed and are non-refundable. See Item 9 for references to sections of the franchise agreement on fees.

Note 2: "Gross Volume" includes all sales, billings, charges or revenue that are, or could be, received or earned by you (or any affiliate): (i) by, at or in connection with your commercial center; (ii) relating to the kinds of goods or services available now or in the future through your commercial center or

distributed in association with the marks or the System, including local and long distance moving services; (iii) relating to the operation of any similar business or any co-branding activities.

All sales and billings, whether collected or not, will be included in Gross Volume, with no deduction for credit card or other charges. Gross Volume does not include sales, use or service taxes collected and paid to appropriate taxing authorities, or Customer refunds and adjustments. We reserve the right periodically, in our business judgment, to add additional exclusions to the list above, as new programs or products are established, or as services or changes to existing programs, products or services are established, as specified by us in our Manuals, in writing or otherwise.

Note 3: Some banks and financial institutions may charge a fee for electronic transfers, but these fees are often negotiable. You must pay any fees charged by your bank or financial institution, and they are not deductible from Gross Volume. All royalties, marketing fund contributions, transit insurance, central freight billing, convention participation deposits, and other amounts due us for each period must be received by us or credited to our account by pre-authorized debit before 5:00 p.m. on the 3rd day after each week or other point in time we specify. We can specify periodic amounts for regular transfer to our account, based on past sales reports by you and our reasonable expectations of amounts to become due from you. You must participate in our then-current electronic reporting system. You must maintain sufficient funds in your authorized accounts to meet your payment obligations under the franchise agreement. See Attachment 8 to the franchise agreement. We may pay a portion of the royalty fee to a regional licensee if there is a regional licensee for your geographic area. See Item 11 for more information about software.

Note 4: This marketing fee is separate from, and in addition to, the new center/new owner marketing program deposit described in Item 5 and the continuing marketing program described in Item 11. See Items 5, 7 and 11 for details.

Note 5: Subject to the limitations described by us in Item 12, the franchise agreement, our Manuals, in writing or otherwise, we may decide in our business judgment to allow an existing franchisee to develop relationships with business referral sources or directly with Customers located outside its territory, provided those business referral sources and Customers are not located within protected territories granted to other commercial center franchisees. Except for the instances described in Item 12 (i.e., Customers referred from business referral sources located within another franchisee's territory, etc.), the existing franchisee must immediately cease acceptance of referral business or service to that Customer if your commercial center is opened and its territory contains the business referral source or Customer. The existing franchisee must assist in the transition to you of each business referral source or Customer located within your territory. You will pay the existing franchisee an amount equal to 5% of the total gross billed amount for any services performed for Customers referred by the referral source or for the Customer during the 1-year period after the opening of the new commercial center.

Note 6: If we have a corporate-managed website, you may receive our standard web pages free of charge. We may, but are not required to, contract with an independent 3rd-party supplier who will build custom web pages or a website and make e-commerce services available to you and/or your Customers at your option. You will be given an estimate of the costs for customized web pages or a website for approval before any work is started. We may collect some or all of these fees from you on behalf of the supplier. If we provide email addresses for your commercial center, you may use up to 2 email addresses for free. Currently, there is a \$7 charge per week for each additional email address.

Note 7: These fees are subject to change, but no change will unreasonably increase your obligations. We will give you at least 15 days' advance notice of the effective date of any fee increase.

Note 8: We will pay the national convention registration fee for up to 2 people to attend the 1st national convention held after you open the physical warehouse of your commercial center, assume the operation of an existing commercial center by transfer, or convert an existing business to a commercial center, if you are a new franchisee. For each national convention after that, you must pay a registration fee, per person to attend. For each national convention, you must pay the hotel fee for 1 room, and you must

pay for any additional rooms. If your accrued national convention participation deposits are not sufficient to cover the registration fee or the hotel fee, we have the right to debit your bank account for the difference. You will be responsible for your travel and incidental expenses that are not covered by the registration fee or the hotel fee. Typically, the registration fee has been \$599 to \$999 per person, and the hotel fee has been \$350 to \$900 for 1 room during the convention dates, depending on the venue of the convention. A national convention typically lasts 3 to 4 days.

Note 9: The weekly national convention participation deposits will be applied to the national convention registration fee and for the national hotel fee for the next national convention. If your accrued national convention participation deposits are not sufficient to cover these fees, we have the right to debit your bank account for the difference. If you attend the full program of, and stay at the designated hotel of, the national convention, any remaining unused national convention participation deposits will roll over for the following national convention or, subject to our approval and in our business judgment, may be reimbursed or applied to other expenses associated with the national convention, including travel, incidental expenses, and additional lodging expenses. If you fail to attend the full program of, or fail to stay at the designated hotel of, the national convention, any accrued national convention participation deposits will be forfeited to us on the closing date of the national convention. If you are acquiring an existing commercial center from a selling franchisee (transfer), we will transfer any of the selling franchisee's accrued national convention participation deposits as of the transfer closing date to your account. The selling franchisee may negotiate with you that this amount be reimbursed to selling franchisee by you through the Escrow Agent (see Note 11 below) at the closing as an adjustment to the sales price. Any accrued national convention participation deposits will be forfeited on expiration, termination, or non-renewal of the franchise, and/or closure of your commercial center.

Note 10: If you request or require special on-site training, management or optional training program, you must pay our then-current daily fee per trainer or manager (currently \$250) and all reasonable travel, lodging and meal expenses of our personnel who travel outside the San Diego, California or Centennial, Colorado area. If we deliver a notice of default to you under the franchise agreement, we may appoint a manager to operate your commercial center until you have cured all defaults. All funds from the operation of your commercial center during this period will be kept in a separate fund; and all expenses of your commercial center, including compensation, other costs, and travel and living expenses of our appointed manager, will be charged to the fund. If the fund is insufficient to pay the expenses of your commercial center operating in a reasonable business-like manner, we will notify you, and you must, within 5 business days, deposit in the fund the amount we require to attain a reasonable balance in the fund.

Note 11: If you are acquiring an existing commercial center (transfer), we require that you and the selling franchisee use the services of a 3rd party escrow company, title company, or escrow/closing attorney ("Escrow Agent") to administer certain aspects of the transfer process including the exchange of monies, execution of transfer documents, and other related items. The fees for this service that are charged by the Escrow Agent must be paid by you and/or the selling franchisee. Escrow fees typically range from \$1,000 to \$3,000 and vary depending on the particular location (geographic market, items escrow prepares, etc.) and other factors.

Note 12: This fee does not apply if a 50% or more ownership interest is being transferred, or if a sale of less than a 50% of ownership interest transfers a controlling interest in the franchise. For example: If A owns 49%, B owns 20% and C owns 31%, then sale of C's 31% interest to B would effectively transfer a controlling interest in the franchise to B. This situation would be treated as a transfer, would be governed by Section 15 of the franchise agreement, and would require payment of a transfer fee, a transfer training and processing fee, a new center/new owner marketing program fee for transfers, etc. See Section 15 of the franchise agreement for details.

Note 13: This fee will not be charged if the required documents are provided within 90 days after the opening of a commercial center, after the closing date of escrow on the commercial center after a transfer, or after the conversion of an existing business to a commercial center.

Note 14: If we believe your unaudited financial statements have material misstatements or omissions, we may require you to provide us with audited financial statements prepared at your expense by an independent certified public accountant who is acceptable to us.

Note 15: Our current information requirements include, but are not limited to, sales and operations reports, quarterly income statements and balance sheets, and annual financial statements.

Note 16: We use the following criteria when evaluating a product, service or supplier: compliance with our specifications; supplier's ability to produce the product or service in sufficient amounts; and compliance with our other requirements as may be periodically implemented.

We have no purchasing or distribution cooperatives.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

NAVIS PACK & SHIP, HANDLE WITH CARE PACKAGING STORE
OR PAK MAIL FREIGHT COMMERCIAL CENTER

Type of Expenditure (1)	Amount (2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial franchise fee (3)	\$29,950	Lump sum	On signing franchise agreement	Us
Fixtures	\$2,000 - \$5,000	Lump sum	Before opening	Approved suppliers
Interior and exterior signage (4)	\$1,000 - \$5,000	Lump sum	Before opening	Us or suppliers you choose
Construction services (5)	\$0 - \$10,000	As agreed	Before opening	Licensed contractor
Equipment (6)	\$10,000 - \$15,000	As agreed	Before opening	Us or suppliers you choose
Centralized freight billing deposit (7)	\$750	Lump Sum	On signing of the franchise agreement	Us
Initial technology license fee (8)	\$6,250	Lump sum	On signing franchise agreement	Us
Computer hardware, and software programs and licenses (9)	\$2,500 - \$4,000	Lump sum	90 days before initial training	Software: approved supplier Hardware: suppliers you choose
Initial inventory (10)	\$1,500 - \$3,000	Lump sum	Before opening	Us or suppliers you choose
Insurance (11)	\$3,500 - \$9,000	As agreed	As incurred	Insurance company
Travel, lodging and meals for initial training	\$250 - \$5,000	Lump sum	As incurred	Suppliers you choose
New Center/New Owner Marketing Program deposit	\$5,500	Lump sum	Before or at initial training	Us
Supplies (12)	\$1,000 - \$1,500	As agreed	As incurred	Us or suppliers you choose
Deposits and pre-paid expenses (13)	\$3,500 - \$6,000	As agreed	As incurred	Suppliers you choose

Type of Expenditure (1)	Amount (2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Architect fee (14)	\$0 - \$6,000	Lump sum	Before plan preparation	Architect you choose
Truck (15) & (17)	\$3,000 - \$6,000	As agreed	As incurred	Suppliers you choose
Business licenses, business permits, etc. (17)	\$500 - \$800	As agreed	As incurred	Government agencies
Miscellaneous expenditures, including commercial center lease (17)	\$10,000 - \$20,000	As agreed	As incurred	Suppliers, employees & others
Additional funds (16) (1 st 12 months after opening physical warehouse)	\$20,000 - \$40,000	As incurred	As incurred	Suppliers, employees & others
TOTAL (18)	\$101,200 - \$178,750			

CONVERSION OF EXISTING BUSINESS TO NAVIS PACK & SHIP, HANDLE WITH CARE PACKAGING STORE OR PAK MAIL FREIGHT COMMERCIAL CENTER

Type of Expenditure (1)	Amount (2)	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial franchise fee (3)	\$14,975	Lump sum	On signing franchise agreement	Us
Fixtures	\$1,000 - \$5,000	Lump sum	Before opening	Approved suppliers
Interior and exterior signage (4)	\$1,000 - \$5,000	Lump sum	Before opening	Us or suppliers you choose
Construction services (5)	\$0 - \$10,000	As agreed	Before opening	Licensed contractor
Equipment (6)	\$0 - \$15,000	As agreed	Before opening	Us or suppliers you choose
Centralized freight billing deposit (7)	\$750 - \$2,750	Lump Sum	On signing of the franchise agreement	Us
Initial technology license fee (8)	\$6,250	Lump sum	On signing franchise agreement	Us
Computer hardware, and software programs and licenses (9)	\$2,000 - \$4,000	Lump sum	90 days before initial training	Software: approved supplier Hardware: suppliers you choose
Initial inventory (10)	\$0 - \$3,000	Lump sum	Before opening	Us or suppliers you choose
Insurance (11)	\$1,500 - \$6,000	As agreed	As incurred	Insurance company
Conversion training fee	\$0 - \$4,000	Lump sum	On signing franchise agreement	Us
Travel, lodging and meals for initial training	\$250 - \$3,000	Lump sum	As incurred	Suppliers you choose

Type of Expenditure (1)	Amount (2)	Method of Payment	When Due	To Whom Payment Is To Be Made
New Center/New Owner Marketing program	\$5,500	Lump sum	Before or at initial training	Us
Supplies (12)	\$1,000 - \$1,500	As agreed	As incurred	Us or suppliers you choose
Deposits and pre-paid expenses (13)	\$2,000 - \$3,500	As agreed	As incurred	Suppliers you choose
Architect fee (14)	\$0 - \$6,000	Lump sum	Before plan preparation	Architect you choose
Truck (15) & (17)	\$0 - \$6,000	As agreed	As incurred	Suppliers you choose
Business licenses, business permits, etc. (17)	\$300 - \$500	As agreed	As incurred	Government agencies
Miscellaneous expenditures	\$500 - \$3,000	As agreed	As incurred	Suppliers, employees & others
Additional funds (16) (1 st 12 months)	\$0 - \$50,000	As incurred	As incurred	Suppliers, employees & others
TOTAL (18)	\$37,025 - \$154,975			

Note 1: Neither we nor any affiliate offer direct or indirect financing to you for any expenditure. None of these costs are refundable unless otherwise noted.

Note 2: These figures are estimates and are based on the development of a 1,500 to 2,500 square-foot leased physical warehouse. We cannot guarantee that you will not incur additional expenses starting your commercial center.

Note 3: See Item 5 for more information about possible discounts to the initial franchise fee and information on the circumstances under which a portion of the initial franchise fee may be refundable. Initial training is included in the initial franchise fee. If you are assuming the operation of an existing commercial center by transfer, you and/or the selling franchisee will pay us a transfer fee in lieu of the initial franchise fee (see Item 6 for more information), and you will pay us a transfer training and processing fee unless you already own and operate one of our commercial centers or one of our retail centers (see Item 5 for more information). If you are converting an existing business to a commercial center, you will pay us an initial franchise fee, and you will pay us a conversion training fee of \$4,000, unless you already own and operate one of our commercial centers or one of our retail centers (see Item 5 and Note 11 of this Item for more information).

Note 4: Signage includes interior and exterior signs that bear our trademarks, and other signage that may include standard products and services offered at the commercial center, commercial center location information, etc. The cost for signage will vary based on the type, size and location of the signs, and may be affected by city codes and other local restrictions.

Note 5: The cost for construction services will vary widely depending on the size, condition and location of your facility, your lease and other factors. Our estimate assumes standard development based on a leased facility delivered to you in “ready to use” condition. If the leased facility is delivered to you in any condition other than “ready to use,” your build-out costs will be higher. The facilities for commercial centers typically are physical warehouses in light industrial areas, where construction services will vary widely, based on size, condition and location, lease terms, and other factors.

Note 6: The equipment cost estimate assumes that you finance or lease all rolling stock. Equipment includes pallet jack, forklift, industrial racking, industrial grade digital floor certifiable scale, panel saw, foam-in-place system, alarm system with security cameras and video, logo truck wrap, and lift gate truck. It is assumed that a vehicle, forklift, foam-in-place, panel saw and any other equipment with a value of \$3,000 or more will be leased or purchased with financing. You may purchase your own equipment

(excluding any Internet portal technology and/or software), opening inventory, and signs from any supplier you choose and who is approved by us. The initial lease payments and a 20% down payment on financed equipment, as well as all other equipment purchased for cash, are the amounts reflected in the estimate for equipment and trucks (see also note 17).

Note 7: We collect and retain this deposit to ensure payment by you of centralized freight billing invoices.

Note 8: See Items 5, 8 and 11 for information about the ABConnect System initial technology license fee.

Note 9: You must have your computer and establish Internet access 90 days before initial training. We recommend a broadband Internet connection (Cable Modem or hi-speed DSL) for Internet access, which is faster than a standard modem. The monthly cost ranges from \$59 to \$89 per month. See Item 11 for details about required and recommended computer hardware, and software programs and licenses.

Note 10: We recommend that you begin the operation of your commercial center with a specified opening inventory. Opening inventory includes corrugated boxes, corrugated sheeting, plywood, foam-in-place chemicals, power tools, staple guns, various tapes, packing list envelopes, interpak materials, invoice tickets and mailing labels. You must purchase decals and envelopes from an approved supplier.

Note 11: See Item 8 and Subsection 11.6 of the franchise agreement for insurance coverage requirements. You must maintain comprehensive general liability insurance with a limit of not less than \$2,000,000 per occurrence and \$4,000,000 aggregate. You must maintain motor vehicle liability coverage that includes bodily injury and property damage on all owned, non-owned, leased, hired, rented, or borrowed motor vehicles having a combined single limit of at least \$2,000,000 resulting from each occurrence. You must maintain property insurance for your commercial center. Your insurance must provide coverage for any loss included on the standard "Causes of Loss-Special Form," including vandalism, malicious mischief, and theft. We will provide you with a copy of this form on request. The policies must include coverage in an amount not less than 100% of the actual replacement cost. The coverage also must include property of others in your care, custody or control, with a minimum limit of \$400,000. Coverage for business interruption also must be provided on an "actual loss sustained" basis for a period of not less than 12 months. You also must maintain coverage for employee dishonesty (\$25,000 limit). You must maintain any workers' compensation, employer's liability or comparable insurance as required by law in your jurisdiction, or additional types and coverage amounts as we may periodically designate. You must participate in any group-wide or other insurance program that we designate regarding freight or transit damage and related risks. Premiums typically are billed to the Customer at the time of shipment, and are based on the level of deductible chosen per \$100 unit of coverage and the declared value of the items tendered for shipping, the carrier used, and whether the shipment is domestic or international. In our business judgment, we may increase the rate if you have a high number of claims due to improper packaging and shipping standards (generally, \$.59 to \$1.69 per \$100 of property valuation) after at least 15 days' notice to you. Premiums are subject to change after at least 15 days' notice to you. You also must have a "Bailee's" coverage insurance policy that is in addition to transit damage insurance. The "Bailee's" policy must include coverage of personal property of others in an insured's care, custody and control that is temporarily at an insured's Center with a minimum limit of \$400,000, coverage of personal property of others in an insured's care, custody and control at another location with a minimum limit of \$400,000, and coverage that includes the transportation of personal property of others while in an insured's auto or truck with a minimum limit of \$400,000. If you choose to provide expanded services of commercial and household moving and other relocation products and services, you also must have employment practices insurance (including sexual harassment, wrongful termination and discrimination coverage) in the amount of at least \$500,000 for each incident and \$1,000,000 in the aggregate, and an umbrella policy (covering general liability, auto, and employer's liability) with a limit of at least \$2,000,000. If you provide notary services, you must maintain Notary professional liability insurance of at least \$500,000, or the maximum permitted by the state if less than \$500,000. All insurance that you are required to carry must be issued by

responsible insurance companies and have a Best's rating of not less than A. Except for workers' compensation, employer's liability, comparable and/or employment practices insurance policies, each policy must name us as an additional insured. Coverage must be issued using the correct company classification. The estimated annual premium for the above coverage is about \$1,500 to \$4,000. The annual premium for workers' compensation insurance is based on employee payroll. Rates may vary from state to state. Most state insurance carriers offer this coverage subject to an annual minimum premium of about \$1,000.

Note 12: You will need office supplies such as telephones, answering machines, calculator, brand labels, telephone connections, marketing collateral, business cards, letterhead, etc.

Note 13: Deposits may vary from location to location. Some utility deposits may be refundable after a designated period. The landlord may require you to pay a security deposit and the 1st month's rent in advance. The security deposit will depend on the size of the facility, location and other factors (for example, 1,000 square feet at \$1 per square foot is a deposit of \$1,000 plus the 1st months' rent). In California, the Board of Equalization's sales tax deposit is based on 3 months of anticipated taxable income at \$10,000 of income per month, or \$240. Other suppliers or agencies may require deposits. The refundability of any deposit is at the discretion of the supplier.

Note 14: An architect of your choice may be required to prepare architectural plans meeting local structural, electrical, plumbing and other construction-related requirements under local building codes, ordinances or agencies. If "as built" plans are not provided by the landlord, or if the site is delivered to you in an "as is" condition, there may be additional architect inspection fees, which are included within this range. In addition, local government agencies may charge fees for reviewing and approving those plans. The refundability of any government fee is at the discretion of the government agency. If you are converting an existing business to a commercial center (see Item 5), architectural plans may not be required.

Note 15: You must have at least 1 truck (minimum of 1 ton, 14-foot box truck with a hydraulic lift gate, not more than 5 years old). The estimate assumes that you will initially lease (and not purchase) 1 truck. Used trucks generally cost between \$5,000 and \$30,000. New trucks generally cost between \$30,000 and \$50,000. Your monthly payments will vary based on cost of the truck, financing period and interest rate (typically about \$500 per month to lease).

Note 16: You may need additional funds to operate your commercial center during its 12-month initial period to cover operating expenses that are in excess of typical start-up revenue. These expenses include royalty fees; marketing fees; expenses for ongoing local commercial center marketing, advertising and promotional programs (currently a minimum of \$1,000 per month, or 4% of monthly Gross Volume, whichever is greater) ; travel; office supplies; printing; and telephone. Ongoing local commercial center marketing, advertising and promotional programs are covered by the new center/new owner marketing program deposit for about the 1st 90 days after you open the physical warehouse of your commercial center, assume the operation of an existing commercial center by transfer, or convert an existing business to a commercial center (See Items 5, 6, and 11 for details). Your personal living expenses are not included in this estimate.

Note 17: If you choose to provide expanded services of commercial and household moving and other relocation products and services, you must satisfy all requirements of applicable law for operating a local moving business within the state in which you intend to operate. The requirements for legally operating a local moving business vary greatly. These requirements may include obtaining a business license from local authorities and/or an authority from the applicable state or federal agency. You may incur legal fees to acquire your authority. While a particular jurisdiction may not require any authority for local moves, generally any moves across state lines require an authority. You should review the legal requirements of operating in the area in which you anticipate you will be licensed and obtain an estimate of costs you will incur before you enter into the franchise agreement. These legal costs are not included in this estimate.

Note 18: We have relied on 35 years of experience operating or franchising businesses of the type being franchised to compile most of these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We are the only approved supplier of the ABConnect System Internet portal technology and all related updates and enhancements you must use for your commercial center. We supply this Internet portal technology system to you for an initial technology license fee of \$6,250 for a new commercial center, or if you convert an existing business to a commercial center. The initial technology license fee includes the initial purchase of the then-current Intuit QuickBooks accounting software that will integrate with the ABConnect System Internet portal. You will be responsible for any update fees associated with Intuit QuickBooks accounting software. If you acquire an existing commercial center by transfer, you must sign the then-current ABConnect license agreement and pay us a nonrefundable, 1-time technology license transfer fee of \$350. The technology license transfer fee is subject to change after at least 15 days' notice to you. We may require you to license for an additional charge, through us or 3rd party suppliers, upgrades or enhancements to software or Internet web portal technology that may be developed to improve the operation or function of the ABConnect System Internet portal technology. See Item 11 for additional information.

You must purchase or lease equipment, supplies (including packaging materials, labels and forms), services (such as FedEx and UPS shipping services), furniture, interior and exterior signage, logo attire, logo truck wrap graphics, computer hardware, and software programs and licenses, and alarm system with security cameras and video, in accordance with our specifications. Also, you must purchase or lease these items in amounts that we recommend, based on our experience in the business, to provide you proper planning, training, and record keeping. Except as otherwise stated in this disclosure document in our Manuals, in writing or otherwise, you may purchase or lease these items from any source. There are no approved suppliers in which any of our officers owns an interest.

In our fiscal year ended September 30, 2022, we received \$634,000 in revenue from franchisees' purchases of equipment, inventory and supplies from us, or 2.6% of our total revenue of \$24,095,000, and the purchase program had expenses of \$486,000. We received \$0 from suppliers approved by us based on their sales and leases of products and services to our franchisees. This information is taken from our audited financial statements in Exhibit F.

You must use a licensed contractor and a licensed architect in the build-out of the facility for your commercial center, if required by local building codes, ordinances or agencies. Some facilities may not need these services, subject to our business judgment and other local officials and/or entities. The contractor will coordinate with the architect, design and plan the facility, interact with local officials for appropriate building approvals, and complete the build-out of the facility (including electrical, plumbing, painting, and exterior signage installation). The architect will design the facility for your commercial center according to our specifications, and will prepare plans that meet local requirements.

We will consult with you in the build-out of the facility for your commercial center to provide space plan suggestions, among other advice, and may assist in compliance with applicable design standards by interacting with your architect, contractor, materials suppliers and/or other

persons hired by you. The services we provide are limited to advice to you. We will have no authority or control over, or responsibility for, the acts/omissions of any architect, contractor, materials supplier or other persons you hire and with whom you will have a direct legal and business relationship. You agree to hold us harmless from any claims relating to our acts and/or omissions in connection with our advice, and will make no claims against us regarding that advice.

A key aspect of the entire commercial center system is a consistent professional image. You and your personnel must (at your expense) wear either Navis Pack & Ship, Handle With Care Packaging Store, or Pak Mail logo apparel, according to specifications and standards that we periodically establish. You must purchase logo attire from our approved suppliers. You may request in writing our approval of additional suppliers for logo attire. We will grant or deny approval within 30 days after our receipt of your written request, based on the supplier's prices, quality of goods and ability to meet our standards and specifications.

You also must always use signs, graphics, decals, wrapping tape, wrapping materials, marketing materials, business forms, and other documents that properly display our trademarks and/or the Navis Pack & Ship, Handle With Care Packaging Store or Pak Mail Freight 800 number, website address, email address, and domain name, as instructed by us, in forms and manners that we specify in our Manuals, in writing or otherwise.

We may reject a proposed site for your commercial center. We will consider factors such as visibility and accessibility, appearance, parking, size, layout, length of availability, and the terms of any proposed lease or sublease.

To ensure adequate insurance coverage, Subsection 11.6 of the franchise agreement requires you to obtain and maintain in force, at your sole expense, the following insurance:

A. Comprehensive general, public, and product liability insurance, against claims for bodily and personal injury, death, and property damage caused by or occurring in conjunction with the operation of your commercial center or otherwise in conjunction with your conduct of business under the franchise agreement, under 1 or more policies of insurance containing a minimum of \$2,000,000 per occurrence and \$4,000,000 aggregate liability coverage.

B. Property insurance against any claims at your commercial center included within the classification "Causes of Loss – Special Form," including vandalism, malicious mischief and theft. The coverage must be in an amount not less than 100% of the actual replacement cost of your commercial center, and also must include property of others in your care, custody or control with a minimum limit of \$400,000, and employee dishonesty coverage with a minimum limit of \$25,000.

C. Motor vehicle liability insurance policies covering all vehicles (owned, non-owned, leased, hired, rented or borrowed) operated by or on behalf of the business conducted under the franchise agreement, and providing protection for injury caused to person or property by the vehicles in the minimum amount of \$2,000,000.

D. Business interruption coverage on an "actual loss sustained" basis for a period of not less than 24 months or the maximum permitted by the state if less than 12 months.

E. Workers' compensation, employer's liability or comparable types of insurance required by the law of the jurisdiction where your commercial center is located,

and all other insurance coverage that we, your lessor a governing jurisdiction periodically require.

F. Any group-wide or other insurance program that we designate regarding freight or transit damage and related risks.

G. "Bailee's" insurance that is in addition to transit damage insurance. The policy must include coverage of personal property of others in an insured's care, custody and control that is temporarily at the insured's commercial center with a minimum limit of \$400,000, coverage of personal property of others in the insured's care, custody and control at another location with a minimum limit of \$400,000, and coverage of personal property of others while being transported in the insured's auto or truck with a minimum limit of \$400,000.

H. If you provide expanded services of household moving and other relocation products and services: i) employment practices insurance (including sexual harassment, wrongful termination and discrimination coverage) in the amount of at least \$500,000 for each incident and at least \$1,000,000 in the aggregate; and ii) umbrella insurance (covering general liability, auto and employer's liability) with a minimum limit of at least \$2,000,000.

I. If you provide Notary Services, Notary professional liability insurance of at least \$500,000, or the maximum permitted by the state if less than \$500,000.

As described in Subsection 11.6 of the franchise agreement, you must participate in any group-wide or other insurance program (which may be Annex Brands-sponsored) regarding freight or transit damage and related risks, and you must pay fully and timely all premiums assessed on you for this insurance coverage. The premium is determined by us. (See Item 6.) In our fiscal year ended September 30, 2022, we received \$393,000 in revenue from the insurance program, or 1.6% of our total revenue of \$24,095,000, and the insurance program had expenses of \$365,000. Any amounts received from insurance companies are used to pay insurance claims filed by Customers of our franchisees.

Our specifications are in our Manuals. We may modify these specifications on reasonable notice to you, in writing or otherwise. We will consider your written request for a modification of a specification, if you explain the reason for the requested modification (or for the approval of any equipment, proposed purchase, use of new type or brand of item or supply we have not previously approved) and sufficient technical data and submit any information or materials we may request to evaluate your request. We will notify you of our decision of the approval or disapproval of any modification you propose within 60 days after receipt of your request. We will approve a request if we determine that a modified specification is appropriate or that any equipment or supply meets our specifications then in effect. We may perform tests to determine if any equipment or supply meets our specifications.

We may offer equipment, supplies or services to you through volume contracts we negotiate with suppliers, manufacturers and others.

We maintain a list of approved suppliers in our Manuals. We may modify the list on reasonable written notice to you. We modify the list in our Manuals, in bulletins, in our newsletter (360), on our Intranet franchisee support site, by email and at regional and national meetings, in writing or otherwise.

You may request in writing our approval of additional products, services or suppliers and submit any information or materials we may request to evaluate the proposed products, services or suppliers. We use the following criteria, which we may change periodically, when evaluating the proposed products, services or suppliers: (1) compliance with our specifications; (2) supplier's ability to produce the product or service in sufficient amounts; and (3) compliance with our other requirements as may be periodically implemented. We may charge you our actual costs for the evaluation. We will provide you with an estimate of the cost before we proceed with the evaluation, and you may decide whether or not you want us to proceed. If you want us to proceed, you must pay us the estimated cost of the evaluation before we begin. We will grant or withdraw approvals of suppliers based on the above criteria and the criteria for approving suppliers in our Manuals, in writing or otherwise, and based on inspections and performance reviews. If any supplier fails to comply with our specifications, we will notify the supplier of the deficiency. The supplier will have a reasonable time, not more than 30 days, to correct the deficiency or be terminated as an approved supplier. We may grant approvals of new suppliers or withdraw past approvals of suppliers on reasonable written notice to you. We will provide you with written notification of the approval or disapproval of a supplier you propose within 60 days after receipt of your request.

We may derive income from suppliers selling products and services to our franchisees. Occasionally, some suppliers, including Federal Express and UPS, have offered and paid us advertising matching fund allowances based on system-wide package volume made through the operation of franchised businesses. We may receive information about and credits for your sales volume totals from these suppliers as well as other suppliers. We use these allowances to fund marketing and promotional materials and programs for the franchise system.

We may periodically negotiate strategic alliances with dot-com, e-commerce and other companies that may provide income opportunities to you and to us. In addition, we have the right to enter into agreements or arrangements with suppliers to our franchise system regarding payments, commissions or rebates on purchases by our franchisees. We also have national account agreements with various freight and delivery and related services companies, some of which result in additional product mark ups, revenue or other economic benefits to us. We, or our affiliates, may arrange other contracts for the benefit of our franchisees in which we may charge fees. All profits from these arrangements will accrue to us or our affiliates. We may arrange and administer freight contracts for the benefit of our franchisees for which fees may be charged to cover administrative costs. Currently, we have a freight program with Kuehne + Nagel Inc. contracted freight carriers which involves a centralized freight billing program that you must participate in as described in Subsection 11.7 of the franchise agreement. In our fiscal year ended September 30, 2022, we received \$2,980,000 in revenue from the centralized freight billing program, or 12.4% of our total revenue of \$24,095,000, and the centralized freight billing program had expenses of \$2,813,000.

In compliance with Federal Maritime Commission regulations on booking international ocean shipments, we applied for and obtained an OTI license in April 2011, and we, as the licensed OTI, perform this service for our franchisees as part of our current international ocean program. As described in Subsection 11.7 of the franchise agreement, you must participate in the international ocean program. For these services, we retain a portion of the ocean charges to cover administrative costs. Internally, we book the shipments with the shipping lines, provide appropriate documentation, collect payments from Customers, pay shipping lines and complete transactions with commercial centers and retail centers. In our fiscal year ended September 30, 2022, we

received \$716,000 in revenue from the international ocean program, or 3.0% of our total revenue of \$24,095,000, and the international ocean program had expenses of \$654,000.

All international packaging containing coniferous softwoods and non-coniferous hardwoods from the United States must be treated before being shipped internationally to participating countries under the ISPM15 Program. In order to be in compliance with ISPM15, you must become a certified participant in the Wood Packaging Material Program, under the American Lumber Standard Committee enforcement regulations, and must receive a Wood Packaging Quality Mark from our current approved supplier, Package Research Laboratory, LLC (PRL), 41 Pine Street Rockaway, NJ 047866 (973-627-4405). You must have monthly inspections for the purpose of maintaining your Wood Packaging Program Certification. Monthly inspections are currently \$140 per month and are paid to and conducted by PRL. PRL reserves the right to change the monthly inspection fee in its sole discretion.

We also may choose to offer business accounts, national accounts, work orders for products and services and other fulfillment business to you periodically (“Franchisor Customer Referrals”). Our current policy is to offer you the opportunity to service a Franchisor Customer Referral for a specific fee, which is less than the price at which we sell the business to the Customer, and to keep the difference. You are not required to accept the Franchisor Customer Referral. In our fiscal year ended September 30, 2022, we received \$2,490,000 in revenue from Franchise Customer Referrals, or 10.3% of our total revenue of \$24,095,000, and the Franchisor Customer Referrals program had expenses of \$2,222,000.

We also may require you to participate in any sales fulfillment or other programs related to strategic marketing alliances that we negotiate and/or form with other companies, which may include our affiliates, to attract special accounts and other Customers. These programs may include sales fulfillment services connected with online estimating, purchasing, or shipping services systems employed by web-based auction sites or other platforms. Participants in these programs must service an order in the time and manner we specify and for the price and terms provided to the Customer as part of the program. We, or the applicable supplier, which may be an affiliate of ours, can require you to pay a fee that may be in addition to royalty fees and marketing fees for any business supplied to you under this or any other sales generation program.

We estimate that the following purchases and leases of products and services will represent the following percentages of your total purchases and leases of products and services to establish and operate your commercial center:

	% of Total to Establish	% of Total to Operate
Purchases/leases from us	50 - 70%	0 - 5%
Purchases/leases under our specifications	60 - 90%	60 - 90%
Purchases/leases from approved suppliers	60 - 70%	60 - 70%

We provide no material benefits to you based on your purchase of particular products or services, or your use of designated or approved suppliers. We have no purchasing or distribution cooperatives.

If you choose to purchase or lease equipment, inventory, supplies or services from us, we will charge you prices that cover our estimated warehousing, administrative and handling expenses, including a reasonable profit from the sale or lease of those items or services.

Item 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise or Other Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	4.1, 4.2 & 4.6; Attachments 3, 5 & 9	7 & 11
(b) Pre-opening purchases/leases	4.4, 5A, 6.1.D & E, 11.6	7 & 8
(c) Site development and other pre-opening requirements	4 & 11	7 & 11
(d) Initial and ongoing training	6 & 11.5	11
(e) Opening	4.5	11
(f) Fees	3.3.A.4, 5, 6.1.E, 8.2.A, 10, 11.2, 11.3, 11.5, 11.7, 13, 15, 16.1.E; 17.8, 18.5, 19.5, 19.7.C & Attachments 2, 6, 7 & 8	5, 6 & 7
(g) Compliance with standards and policies/operating manuals	9.1 & 9.3	11
(h) Trademarks and proprietary information	7 & 9.1	13 & 14
(i) Restrictions on products/services offered	11	8, 11 & 16
(j) Warranty and customer service requirements	11.8	6
(k) Territorial development and sales quotas	3 & 11.10	12
(l) Ongoing product/service purchases	10.13	8
(m) Maintenance, appearance, and remodeling requirements	4.3.A, 4.4, 11.1 & 11.2	11
(n) Insurance	11.6	7 & 8
(o) Advertising	12	6, 7 & 11
(p) Indemnification	8.2	6
(q) Owner's participation/management /staffing	11.5.A	11 & 15
(r) Records and reports	13	11
(s) Inspections and audits	14	6
(t) Transfer	15	6 & 17
(u) Renewal	16	17
(v) Obligations after termination, expiration or non-renewal	18	17
(w) Non-competition covenants	9.2; Attachment 11	17
(x) Dispute resolution	19.7	17
(y) Owners/shareholders guarantee	Attachment 2	15

Item 10

FINANCING

You may be eligible for expedited and streamlined SBA loan processing. If you use SBA financing, you will sign an SBA Addendum (see Attachment 13 to the franchise agreement).

Neither we nor any agent or affiliate offers direct or indirect financing to you or guarantees any of your notes, leases or 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.

Before you open your commercial center, we will:

1. Provide you with sample layouts for your commercial center (franchise agreement, Subsection 4.3.A and 4.3.B).
2. Provide you with site selection assistance, subject to availability of personnel and at your request (franchise agreement, Subsection 4.1; Attachment 9).
3. Provide you with our review and approval or disapproval of proposed premises for your commercial center (franchise agreement, Subsection 4.2.A).
4. Provide you with assistance in pre-training preparation (franchise agreement, Subsection 6.1).
5. Provide you with initial training as described below under the heading "Training" (franchise agreement, Subsection 6.1).
6. Provide you with our Manuals and any catalogs and materials that we may select, on loan (franchise agreement, Subsection 9.3).
7. Provide you with, or provide you the names of approved suppliers for, certain interior or exterior signage, equipment, supplies, opening inventory, computer hardware, and software programs and licenses, and provide you with specifications for signs, equipment, supplies, inventory, and computer hardware, software programs and licenses (franchise agreement, Subsection 11.2). For example, we or approved suppliers provide you with (and deliver to you): (a) interior and exterior signage; (b) equipment, supplies, and initial inventory; and (c) computer software programs and licenses. We are the only supplier of our proprietary ABCConnect software (see Computer Systems below). We do no installation. You must engage a licensed contractor to install the exterior signage (see Item 5)..
8. Provide you with samples of initial advertising and marketing materials (franchise agreement, Subsection 6.2).

We may delegate any of our obligations to any regional licensee for your brand and geographic area.

During the operation of your commercial center, we will:

1. Provide you with continuing and advanced training and assistance (franchise agreement, Section 6).
2. Provide you with updates to our Manuals, in writing or otherwise (franchise agreement, Subsection 9.3).
3. Provide you with merchandising, marketing, record keeping, operating, and other data and advice (franchise agreement, Subsection 6.2).
4. Administer a system-wide marketing fund, in our business judgment (franchise agreement, Section 12).

We may delegate any of our obligations to any regional licensee for your brand and geographic area.

Marketing

Our marketing programs are divided into 2 types, as described below: new center/new owner marketing program and continuing marketing. You must participate in both types of marketing.

New Center/New Owner Marketing Program Deposit. Under our new center/new owner marketing program, you must deposit with us at least \$5,500, before or at initial training, for a new commercial center or for a commercial center being converted from an existing business, or on or before the closing date of a transfer, if you assume operation of an existing retail center by transfer. We will use the deposit to promote your commercial center before and for about 90 days after you (i) open the physical warehouse of your commercial center, (ii) assume the operation of an existing commercial center by transfer, or (iii) convert an existing business to a commercial center. We will use the deposit to purchase advertising in 1 or more types of media, including Internet, tradeshow, direct mail, vehicle graphics, and/or any other media selected in our business judgment. We may allocate up to \$300 of the deposit toward the purchase of the required logo attire. We will not use the deposit for signage, including electronic signs, window graphics or banners or logo floor mats. We will not use the deposit for any other purpose, without your consent. We will generally use all of the deposit to advertise your commercial center, within your ADI, before and about 90 days after you (i) open the physical warehouse of your commercial center, (ii) assume the operation of an existing commercial center by transfer, or (iii) convert an existing business to a commercial center. An ADI is defined as an area covered by a particular advertising medium as recognized in the advertising industry. We will provide you with a written accounting of how the deposit was used a reasonable time after the deposit is exhausted, or about 120 days after you (i) open the physical warehouse of your commercial center, (ii) assume the operation of an existing commercial center by transfer, or (iii) convert an existing business to a commercial center. However, we will not return or refund any portion of the deposit if you (i) attend initial training, even if you do not open or convert an existing business to a commercial center, (ii) open your commercial center, (iii) assume the operation of an existing commercial center by transfer, or (iv) convert an existing business to a commercial center.

Marketing Fund. We have instituted an advertising, publicity and marketing fund (the “Marketing Fund”) to promote commercial centers, the trademarks and the brands. You must contribute 3% of your weekly Gross Volume to the Marketing Fund as described in Item 6. You must participate in all marketing fund programs. You will set your own prices, except that you

must fully honor all coupons, price-reduction promotions and other promotions/programs as we direct. The Marketing Fund may place advertising in any media and for sales and marketing support services. We may prepare local, regional or national advertising, and we may employ outside advertising agencies or suppliers. If all monies in the Marketing Fund are not spent in a fiscal year, we may carry over the funds for use in the next fiscal year.

There is one Marketing Fund for all of our brands, but we account for expenditures by brand.

In our fiscal year ended September 30, 2022, the commercial center Marketing Fund was used for labor and production of marketing materials, franchise development, and website development and maintenance (37%); media placement (48%); and administrative expenses (15%).

We control all matters relating to the Marketing Fund (consistent with its purposes and the provisions of the franchise agreement). It is our current policy to request that the Franchise Advisory Council provide advisory input regarding matters relating to the Marketing Fund.

The Marketing Fund may be used for product development, signage, creation, production, and distribution of marketing, advertising, public relations, in-house sales and marketing training, in-the-field sales and marketing training, in-the-field sales and marketing support programs, national account sales support and other materials in any medium, including the Internet, social media platforms, online directory listings, other networking platforms and related media, administration expenses, brand or image campaigns, media, national, regional and other marketing programs, agency and consulting services, research, and any expenses we approve or that are approved by other franchisee advisory groups. A statement regarding the availability of commercial center franchises may be included in advertising and other items produced using the Marketing Fund. The Marketing Fund may provide a centralized answering service for all franchisees.

We or any of our affiliates may provide goods, services, materials, etc. (including administrative services and/or “in-house advertising agency” services) and we may require usage or specifications for usage, and be compensated or reimbursed by the Marketing Fund, provided that any compensation must be reasonable in amount. We can arrange for goods, services, materials, etc. (including administrative services) to be provided by independent persons or companies, and all related costs, fees, etc. will be paid by the Marketing Fund.

We will account for the Marketing Fund separately, and we may use it to pay all administrative and other costs of the Marketing Fund related to its activities and purposes or as authorized by the franchise agreement. The Marketing Fund is responsible for all taxes of any kind incurred by or related to it, its activities, contributions to the Marketing Fund, or any other Marketing Fund aspect, whether imposed on us, the Marketing Fund or any other related party. We will prepare unaudited financial statements for the Marketing Fund annually, which will be available to you no earlier than 90-120 days after our fiscal year end, and otherwise within 30 days after your written request. In our business judgment, these statements may be audited, and any related accounting or auditing costs will be paid by the Marketing Fund. We reserve the right to terminate the Marketing Fund at any time, but we will not do so until all monies in the Marketing Fund have been expended for the purposes authorized by the franchise agreement.

All commercial centers we own will make contributions to the Marketing Fund as if they were subject to our then-current form of franchise agreement.

We do not ensure that marketing expenditures in your geographic area by the Marketing Fund are or will be proportionate or equivalent to your contributions to the Marketing Fund, or that any commercial center will benefit directly or in proportion to its contribution to the Marketing Fund. We have no obligation to cause other commercial center franchisees (some of whom may be under different arrangements) to contribute to the Marketing Fund, or engage in local marketing. We will not be liable for any act or omission in connection with the Marketing Fund which is consistent with the franchise agreement. We are not required to spend any amount on marketing in your geographic area, from the Marketing Fund or from any other source.

Subject to the express requirements of the franchise agreement, we may deny access to any and all programs or materials created by, and benefits of, the Marketing Fund to you if you are in default of any obligations to the Marketing Fund or otherwise in default under the franchise agreement.

Regional Marketing and Advertising Programs. We may, on 30 days' prior written notice to you, institute a regional marketing and advertising program ("RMA") for all commercial centers and/or affiliated businesses located within your geographic area, if there are 2 or more commercial centers and/or affiliated businesses in the geographic area, as determined by us in our business judgment. We determine the composition of each geographic area for each RMA; and we determine the scope, content of and guidelines for the implementation of each RMA through our Manuals, in writing or otherwise. You and all other commercial centers and affiliated businesses in your geographic area must participate as a member of any RMA, if and when we establish it. You must remain a member of and be bound by the decisions of the majority of the members of the RMA regarding expenditures, assessments and dues of the RMA, to the extent that we approve them. Each commercial center and/or affiliated business will have 1 vote on all matters presented to the RMA. Our commercial centers and/or affiliated businesses, if any, in your geographic area will participate in the RMA on the same terms as franchised commercial centers. We or our affiliates will have the right to have a representative participate in each RMA meeting, but such representative will be a non-voting participant if we or the affiliate do not own a commercial center and/or affiliated business that is in the geographic area of the RMA.

You must contribute the greater of 1% of your Gross Volume or your per capita share of the costs incurred by the RMA. Each other commercial center and affiliated business in your geographic area must contribute equally, including any commercial center we or any of our affiliates owns. Such contributions will be calculated and payable according to the guidelines we issue. Each RMA may require its members to pay additional monthly dues to the RMA. The provisions of the Marketing Fund will apply to the RMA as appropriate, except that the expenditures of the RMA will relate only to the geographic area in which your commercial center is located.

Each RMA will operate under governing rules, regulations and procedures that are subject to our consent, and that are available for your review on your request to the RMA. Each RMA will be administered by a board of directors selected in accordance with its governing rules, regulations and procedures, or may be administered by a regional licensee if there is one for your geographic area. Any failure to timely pay amounts due to the RMA, or to comply with the rules, regulations and procedures of the RMA, will be a breach of the franchise agreement. We may offset against amounts we or our affiliates owe you by the amount of your unpaid RMA contributions. While neither we nor any of our affiliates are required to do so, if we submit any matters for approval to the RMA and approval is granted, the approval will be binding on you. Each RMA must abide by

all requirements related to the trademark, brand, marketing and image-related advertising requirements outlined by us in our Manuals, in writing or otherwise.

Other than as described above, you will not be required to participate in a local or regional advertising cooperative.

National Sales and Marketing Councils. We may form, select members for, and periodically meet with you, and you agree to cooperatively participate in, if requested, 1 or more councils of commercial center franchisees to consult with, and advise us, regarding the management of the Marketing Fund and related matters, including strategic marketing plans, advertising programs, public relations, Customer surveys, marketing research, selection of advertising agencies, and other consultants, etc. We will give due consideration to all input from the councils, but we will retain the ultimate decision-making authority and responsibility for all of these matters. We may change or dissolve the councils at any time.

Franchisee Advisory Councils. We may form and periodically meet with, and you agree to cooperatively participate in, if elected or selected, 1 or more councils for your brand and/or commercial center type, to consult with and advise us regarding system development and related issues that periodically arise. The councils will consist of franchisees in good standing, and elected by other franchisees in good standing. We may appoint 1 representative to participate in each council meeting or activity as a non-voting participant. We will give due consideration to all input from the councils, but we will retain the ultimate decision-making authority and responsibility for all system development matters. We may change or dissolve the councils at any time.

Local Marketing. Your advertising must be in good taste and conform to ethical and legal standards. Media used for any marketing program may include, but is not limited to, use of the Internet, television, radio, print, digital, magazines, direct mail or other written publications. You must use suppliers that we approve for the creation and production of marketing materials that we approve. You may develop other marketing materials or programs for your commercial center that meet our then-current guidelines, but you must submit samples of all advertising and marketing materials for any media, including to print, digital, the Internet, social media listings, online directory listings, or other networking platforms, for our review and approval before production and use. We will not unreasonably withhold approval of your marketing materials if they are factually accurate, current, dignified, in good condition and accurately depict your commercial center's trademarks. The marketing materials will be considered approved if we do not disapprove or comment within 10 business days after receipt. You agree not to use any materials or programs disapproved by us at any time. We may require you to include a brief statement regarding the availability of commercial center franchises in advertising that you use, and to display in your commercial center brochures regarding the purchase of Annex Brands franchises. We also may require you to include advertising in packages and crates that you ship.

You or your salesperson must participate in our current sales support and marketing program for a period that we designate following the opening of your commercial center. Under this program, you or your salesperson will be mentored by a sales coach to develop and implement a sales program for your commercial center. We may elect to extend the duration of participation or require you or your salesperson to re-enroll in the program.

Your directory listing advertisements are a key marketing expenditure. You must advertise in the print, digital, and/or electronic directory listings in your local market at your expense. We strongly recommend that you work with us or our designated directory listing agency to place your

advertisements. Our agency has created templates that allow you to pick the headline, copy points and images, but maintain a consistent look and feel across directories. The agency will help you choose the directories and select the category headings that will work best in your market. We recommend that your display advertisements be in the top half of those in their category.

In addition to paying marketing fees to the Marketing Fund, and paying any RMA fees and/or paying assessments and directory listings, beginning about 90 days after you (i) open the physical warehouse of your commercial center, (ii) assume the operation of an existing commercial center by transfer, or (iii) convert an existing business to a commercial center, you also must spend at least the minimum monthly amount we designate, in our Manuals, in writing or otherwise, for ongoing local commercial center marketing, advertising and promotional programs (currently \$1,000 per month, or 4% of monthly Gross Volume, whichever is greater). Ongoing local commercial center marketing, advertising and promotional programs are covered by the new center/new owner marketing program deposit for about the 1st 90 days of operation (see above and Item 5 for details).

You may use your own marketing, advertising and promotional materials that meet our then-current guidelines (including materials such as print and digital, radio and television advertisements, specialty and novelty items, bags, boxes, and signs), subject to our approval of those materials. Before using any marketing, advertising or promotional materials that we have not previously prepared or approved within the immediately preceding 12 months, even assuming that they meet our then-current guidelines, you must submit samples to us for our prior written consent.

See Items 6, 8 and 9 for additional information about advertising and promotion costs and requirements.

Website(s) and Intranet

We have registered the following domain names with an agency responsible for assigning Internet addresses in the United States:

abconnect.co	abnls.com
aimmailcenter.com	aimmailcenters.ca
aimmailcenters.com	aimmailcenters.net
aimmailcenters.org	aimmailcenters.us
aimofficecenters.com	anexbrands.com
annexbrands.asia	annexbrands.biz
annexbrands.com	annexbrands.company
annexbrands.info	annexbrands.net
annexbrands.org	annexbrands.us
annexbrandsemail.com	annexcopycenter.com
auctionshippers.com	compareshippingratesnow.com
computershippers.com	cratingcompanies.com
freightannex.com	getashippingprice.com
getshippingratesnow.com	gonavis.com
gonavis.net	gonaviscanada.com

gopackagingstore.asia	gopackagingstore.com
gopackaginstore.com	goquote.us
hongkongpackagingstore.com	livescanfingerprinting.us
magellanartservices.com	nationallogisticsservices.com
navis-chicagometro.com	naviscanada.com
navisdallas.com	navislogistics.com
navispackandship.com	navisphoenix.com
nlservices.us	ourprintingstore.com
packagingstore.asia	packagingstore.company
packstore.com	pakmail.biz
pakmail.com	pakmail.info
pakmail.net	pakmail.org
pakmail.us	parcelplus.com
postalannex.asia	postalannex.biz
postalannex.com	postalannex.info
postalannex.net	postalannex.org
postalannexfranchise.com	postalannexfranchising.com
shippingratesnow.com	shippingtheluggage.com
sunshinegloballogistics.com	sunshinepackandship.com
thepackagingstore.asia	todaystodosdone.com
trustnls.com	yourhomeoffice.com
yourshippingquote.com	

We may maintain a corporate website on the Internet to market and promote our franchise system, and products and services marketed by us and our franchisees. If we maintain a corporate website, we may provide you with standard web pages on our website for the purpose of promoting your commercial center. You also may request to customize portions of your web pages or create a custom website, with our prior written consent and for a fee, or may purchase e-commerce services with our approval and for a fee. You may not establish your own website without our prior written consent. (The term “our prior written consent,” as used in this disclosure document and the franchise agreement and its attachments, means consent that we give based on then-current circumstances, but that may be withdrawn by us, if we later determine in our business judgment that circumstances have changed, effective upon giving you 30 days' prior written notice of withdrawal.) If we provide email addresses for your commercial center, you may use up to 2 email addresses per commercial center for free. There will be a \$7 charge per week for each additional email address. This fee is subject to change on at least 15 days' written notice to you. You must use the email addresses we provide you for all aspects of the operation of your center, including in customer communications, in print or digital marketing, advertising or promotions, on letterhead and business cards, etc. You may not establish or use your own email addresses without our prior written consent. See Item 6 and Attachment 7 to the franchise agreement for more information.

We also may establish a private Intranet, newsgroups or bulletin boards for our franchisees that can be accessed only by means of user names and passwords. You must follow our policies and procedures. We may change your password without notice if an alleged compromise exists.

We may suspend your access to our Intranet if we give you written notice that you are in default of the franchise agreement. See Attachment 7 to the franchise agreement.

We have established and may continue to establish brand presence through online social media platforms, online directory listings, and other networking platforms, such as Facebook, Google My Business, and Yelp. You may not use social media platforms, online directory listings or other networking platforms that promote your commercial center and/or use our trademarks without our prior written consent. You must follow our policies and procedures when using social media platforms, online directory listings and other networking platforms in connection with your commercial center and/or our trademarks. Our system standards apply to any website or Internet advertising, including social media platforms, online directory listings or other networking platforms. Because the forms of social media platforms, online directory listings, and other networking platforms are rapidly evolving, our policies and procedures are periodically updated by us in our Manuals, in writing or otherwise.

All use of the Internet, social media platforms, online directory listings, other networking platforms, or other electronic media by you for your commercial center will be as we periodically specify, whether in our Manuals, in writing or otherwise (see Attachment 7 to the franchise agreement).

You must sign an authorization that grants us the right to change, transfer, or terminate any email addresses, domain names, social media platforms, online directory listings, other networking platforms, and any comparable electronic identities that use or include our trademarks or brand names if the franchise expires, is not renewed, or is terminated (see Attachment 4 to the franchise agreement).

Computer Systems

You must obtain and use computer hardware, software programs and software licenses (“computer systems”) according to our specifications. Currently, we require you to obtain and use at least 2 computer systems. You must use a computer system that operates our ABConnect System that has integrated software components and web portal technology.

Each computer system must have at least the following hardware and software: Current Generation Dual or Quad Core(10th, 11th and 12th), or Generation Intel Core i3, i5, or i7 (or iX-10-xxx or higher), or current Generation AMD Ryzen 5, 7, or Threadripper Processor (or equivalent), 8 gigabytes RAM, 2256 Giog solid state drive (SSD) or 500 gigabyte hard drive, 256 MB or more video card (dual video connection recommended), gigabit Ethernet card with RJ45 connection, ports (number and type depend on attached devices), LCD monitor, Windows USB keyboard, 2 button mouse, HP color inkjet or its equivalent, HP laser printer or its equivalent, merchant service terminals (used for debit and credit card processing) and Windows 10 or Windows 10 Professional operating system. You may obtain your computer hardware from any supplier. We may assist you in obtaining your computer hardware, but we are not required to do so.

You must license the ABConnect System Internet portal technology. ABConnect is our proprietary web-based software for enabling e-commerce communications and transactions among franchisees, Customers and partners. It incorporates a suite of proprietary as well as integrated web portal components. ABConnect currently is a 100% web-based system for the efficient estimating and processing of packaging, shipping, and specialized logistics jobs, among other functions. ABConnect is our proprietary packaging, shipping, estimating and job processing engine. This

web-based software is built on business rules and was originally assembled by NLN, with their years of packaging and shipping experience and knowledge base. The ABConnect engine resides in a multi-user, multi-constituent portal architecture. It can be configured to meet a variety of changing constituent and industry needs. ABConnect integrates with our XML gateway for connecting the ABConnect engine to a set of selected web component portals that provide functionality in the areas of: Contact Management, Sales Management, Customer Relationship Management, Accounting and Financial Management, Freight Quoting and Manifesting, Data Management and Communications.

ABConnect enables company and Customer data to be centrally stored (and protected) at data centers. This information can be selectively shared among commercial center franchisees, national accounts and strategic partners. ABConnect is a system for integrating and managing multiple sets of data into information base providing an advantage in the marketplace. ABConnect is proprietary to us. Other components may be proprietary to 3rd parties. You must record all transactional information, such as information on billing, freight origination, freight destination, 3rd party carriers and the total charges billed by you, in ABConnect in a timely manner and as we specify in our business judgment. We will have independent access to the information that is generated and stored by ABConnect. There are no contractual limitations on our right to access this information. We will not sell the information we collect to 3rd parties who will solicit you or your Customers; however, we may make this information available to 3rd parties who assist us in developing and implementing marketing programs for your benefit and the benefit of other commercial centers.

The QuickBooks Pro® component of the system is proprietary to Intuit, Inc. The principal business address and phone number of Intuit, Inc. is 2632 Marine Way, Mountain View, CA 94043, (650) 944-6000. We may approve other compatible components in the future, and they may or may not be proprietary to us or to 3rd parties.

To the extent that any software we require you to use contains modules that support personnel-related functions, such as employee timekeeping, employee scheduling and payroll processing, your use of those modules is non-mandatory. You may use those modules or alternate software to handle personnel-related functions, or you may handle personnel-related functions in any other manner that you choose.

You must use, maintain, and update your computer systems and other systems (including point-of sale, ABConnect and back office systems, etc.), software programs and licenses, and web portal systems, which are only available through us or our affiliates. We are not contractually obligated to provide maintenance, upgrades and updates.

You must maintain your systems online and provide us with full access and/or make your computer systems(s) remotely accessible by us. You must promptly update and otherwise change your computer hardware, Internet portal, and software programs and licenses, as we require, at your expense. You will pay all amounts charged by any supplier or licensor of the systems and programs used by you, including charges for use, maintenance, support and update of these systems or programs. There are no contractual limitations on the frequency and cost of upgrades or on updates to the systems or programs. The annual cost of optional or required maintenance, upgrading or support contacts is about \$1,500.

You must participate in our electronic reporting system covering sales and other items, with direct interconnection to (and full, online access by) our computer hardware and software programs.

Modification of specifications for the components of the computer and other systems may require you to incur costs to purchase, lease or license new or modified computer hardware, software programs and software licenses, and to obtain service and support for required computer hardware and software programs and licenses, during the term of the franchise. We cannot estimate the future costs of the computer and other systems (or additions, modifications, maintenance or support), and your related costs may not be fully amortizable over the remaining term of the franchise.

We may require you to participate in a web-based technology or other platforms that enable consumers to obtain shipping estimates and purchase packaging, moving and shipping services online, other sales fulfillment, or other programs related to strategic marketing alliances we negotiate or form with other companies. This technology and these programs may have separate initial and ongoing licensing fees or other usage, management, and processing fees.

We estimate that the cost of the above computer systems ranges from \$2,000 to \$4,000 (see Item 7).

Neither we nor our affiliates are obligated to provide you with ongoing maintenance, repairs, upgrades or updates to any component of your computer system. You must determine whether any 3rd party supplier from whom you purchase any component of your computer system is obligated to provide you with ongoing maintenance, repairs, upgrades or updates to any component of your computer system, and the additional cost for those services.

To protect us from the unauthorized use of our Internet portal technology or propriety software, we may include in it a device that enables us to stop the Internet portal technology or propriety software from working and/or from receiving updates (a "Security Device"). We have the right to use any Security Device or discontinue your access to our Internet portal technology or propriety software if you breach your obligations under the franchise agreement or any software license, or if the franchise or the software license expires or terminates (see Item 17 for events of default). If we use a Security Device, we are not liable for any loss of data, interruption of business, or any resulting damages. ABConnect contains a Security Device that we control (see Attachment 6 to the franchise agreement).

You must obtain and install all computer hardware, software programs and software licenses necessary for you to operate ABConnect or other hardware and software programs or licenses, as we designate, and you must establish Internet access, 90 days before initial training (described below). This is necessary for you to prepare for training.

You must maintain Internet access at your expense for electronic communication. You may use any type of Internet access you choose from any supplier you choose. We recommend, however, that you use a broadband (Cable or hi-speed DSL) Internet connection (with dial-up for backup purposes), and use the most recent ABConnect supported version of Internet Explorer, Firefox, or Chrome. We may modify and update computer system specifications and designate suppliers on reasonable written notice to you. We may independently access your computer systems (via remote support login agents or otherwise) and/or require you to provide us with copies

of the information in your computer systems. There are no contractual limitations on our right to access or obtain this information. Unless we expressly provide otherwise, we do not warranty, support or maintain any computer systems in any manner. We are not liable for any loss of data, interruption of business, or any resulting damages.

You must be able to accept and process debit and credit card payments at your expense. You may use a supplier you choose, however, this supplier must be in compliance with laws, regulations, industry standards, and PCI Data Security standards as required for merchant service providers.

Manuals

Our Manuals contain both mandatory standards, specifications, policies and procedures (sometimes referenced as “standards and specifications”), and non-mandatory guidelines and recommendations, for the development and operation of your commercial center.

As of September 30, 2022, our Manuals covered the following subjects:

Commercial Center Operating Manual

Table of Contents Heading	No. of Pages
Table of Contents	1
Abbreviations and Acronyms	4
Summary of Changes	1
History, Vision and Brand	9
Financial Management	22
Business Plan	27
Operating Standards	12
Marketing Sales and Guidelines	56
Inside Sales	16
Insurance Programs	29
Restricted Items	8
Human Resource Management	36
Transportation Management	72
Transportation Bulletins	27
International Ocean Shipping Program	24
Transactional Process Flow	9
Packaging Index	18
Corrugated Containers	21
Custom Container Learnsheets	1
Interior Cushioning	34
Container Closures	8
Crating - Plywood Crating for International Shipping	13
Crating - Crating Work Forms	4
Equipment	13
Training	10
Business Evaluator and 5 Year Plan	9
Inside Sales	16

Table of Contents Heading	No. of Pages
TOTAL	484

Brand Trademark Style Guide

Table of Contents Heading	No. of Pages
Annex Brands	10
PostalAnnex+	18
PostalAnnex	18
Pak Mail	10
AIM Mail	10
Parcel Plus	10
Sunshine Pack & Ship	10
Navis Pack & Ship	10
Handle With Care Packaging Store	10
TOTAL	106

Training

We and any regional licensee for your brand and geographic area will assist you to prepare for initial training, and provide initial training and other training to you before you open the physical warehouse of your commercial center, assume the operation of an existing commercial center by transfer, or convert an existing business to a commercial center as follows:

TRAINING PROGRAM

Subject	Hours Of Training		Location
	Classroom	On-The-Job⁽¹⁾	
Administrative (general overview, compliance, time management, financial management)	8	0	Denver logistics center office
Sales & Marketing (inside sales, marketing, estimating, technology)	30	0	Denver logistics center office
Review and Questions	2		Denver logistics center office
Operational Procedures (packaging, crating, safety, general operation)	3	12	Denver logistics center office and warehouse, or a Certified Navis Pack & Ship, Handle With Care Packaging Store or Pak Mail Freight commercial center
Transportation Management and Insurance	3	8	Denver logistics center office and warehouse, or a Certified Navis Pack & Ship, Handle With Care Packaging Store or Pak Mail Freight commercial center

Subject	Hours Of Training		Location
	Classroom	On-The-Job ⁽¹⁾	
Field Operations Training	0	12	Denver logistics center warehouse, or a Certified Navis Pack & Ship, Handle With Care Packaging Store or Pak Mail Freight commercial center
Review and Questions	2		Denver logistics center office and warehouse, or a Certified Navis Pack & Ship, Handle With Care Packaging Store or Pak Mail Freight commercial center
TOTAL	48	32	
Additional On-the-Job Training/On-Site Training for Commercial Center⁽¹⁾			Your commercial center
On-the-job/on-site initial training at your commercial center for up to 5 days for new franchisees and 1 day for transfers or existing franchisees.	-	8 - 40	Your commercial center

⁽¹⁾ At a time when our personnel are available, we will provide on-site initial training at your commercial center for up to 5 days for new franchisees and 1 day for transfers or existing franchisees at no charge to you. At your request, and at a time when our personnel are available, if you require additional training after this initial on-site training, we may require you to pay our daily fee (currently \$250 per person), and our costs for transportation, lodging and meals. Salaries and other charges for our personnel time will be at our expense.

Our regular instructors have from 13 to 34 years of experience with the various subjects and from 2 to 34 years with us. Substitute instructors, franchisees, and approved suppliers also sometimes participate in initial training, to instruct and/or to attend lunch to discuss their products and services. Our regular instructors include:

Instructor Name	Subjects Taught	Experience with Franchisor	Prior Experience in the Field
Sean P. Hilly, Executive Vice President	Oversees the initial commercial training program and provides instruction on various operational subjects	12/91 to present	1989 to 1991 manager of a Mailbox Etc. franchise.
Brett Monson, Director of Product Management/Director of Logistics	Various operational, estimating, and technology subjects	01/11 to present	2002 to 2005 various positions such as dispatcher, customer service, sales and management, IT development for service related and telecommunication company. 2005 to 2011 various positions such as NLS Operations Specialist, NLS Manager, and IT Manager, etc. for NLM, which we acquired in 1/2011.
Justin Clark, Manager of Franchise Services	Various operational, inside sales, marketing,	1/11 to present	2005 Account Manager for Sure Ship, a fulfillment and management company.

	and transportation management subjects		2004 to 2011 Account Manager for Navis Pack & Ship franchise. 2006 to 2011 Sales & REP Coach, Operations Manager, and Business Development Manager, etc. for NLM, which we acquired in 1/2011.
Rusty Johnson, Manager of Franchise Services	Various operational, packaging, crating, safety, general, field operations and warehouse training subjects	1/11 to present	2004 to 2011 Franchise Support Manager, etc. for NLM, which we acquired in 1/2011.
Joann Kirkpatrick, International Ocean Officer	International shipping and the international ocean program subjects	02/11 to present	2000 to 2011 various positions such as Export Manager, International Operations, Operations Supervisor, etc. for various import and export logistics/transportation companies.
TanaSue Carpenter, Chief Financial Officer, CPA	Accounting subjects	6/12 to present	1990 to 2001 various positions in a quick-service franchise restaurant system including Training Manager and Area Manager. 2001 to 2012 various accounting positions at a real estate development firm.
Michelle McKee, Vice President of Marketing	Marketing subjects	10/20 to present	2001 to 2020 various marketing positions including marketing accounting, analysis, product and brand development, marketing strategies, development of training and operational materials for various restaurant franchise systems, companies and an in-house marketing agency, including Director of Marketing & Communications, Marketing Manager, Marketing Accounting and Analysis Specialist, etc.
Liz Hoyt, Senior Marketing Manager	Marketing and advertising subjects	11/21 to present	2011 to 2022 various marketing positions within advertising agencies, higher education, tech startups and mid-size companies providing B2B and B2C marketing strategy, marketing budget management, brand development, social media and digital marketing management, paid media management, public relations and project management.

Our instructional materials for each subject consist of our Manuals, lectures, proprietary software, various hand-outs and hands-on demonstrations.

The hours devoted to each subject are estimates only and may vary substantially (up to 5 hours) based on how quickly you grasp the material, your prior experience with the subject, size of the training class, and scheduling.

Currently, standard initial training is 2 weeks. The 1st week typically is classroom training held at our Denver logistics center office in Centennial, Colorado and/or via webcasts generally covering Administrative, Sales and Marketing (see chart above). The 2nd week of training typically is a combination of classroom training at our Denver logistics center and warehouse training held at our Denver logistics center warehouse, or held at a certified Navis Pack & Ship, Handle With Care Packaging Store or Pak Mail Freight commercial center selected by us. Locations may vary. During the 2nd week, we generally cover Operational Procedures, Transportation Management and

Insurance, and Field Operations Training (see chart above). You also must attend and successfully complete the pre-training preparation and post-training follow-up sessions, which include, but are not limited to, teleconferences, online Internet-based training, and live webcast sessions. We typically (depending on enrollment) schedule initial training 6 times a year. We may provide an online training program before you and/or your personnel attend the initial training class that may reduce the number of classroom days for initial training. We may choose, in our business judgment, to shorten training under certain circumstances, such as attendees' previous experience with the subject matter, the number of attendees, scheduling, etc., and we may choose to eliminate training for persons previously trained or with comparable experience.

Initial training generally concludes 0 to 3 months before the projected opening of the physical warehouse for your commercial center.

You (or, if you are a legal entity, 1 of your principals) and/or your personnel (not to total more than 4 persons) must successfully complete initial training to our satisfaction.

There is no fee to attend initial training in Centennial, Colorado and/or San Diego, California, unless you are a new franchisee who is converting an existing business to a commercial center, or you are acquiring an existing commercial center (see Item 5). However, you must pay transportation, lodging and meal expenses, wages and employee benefits for yourself and your personnel.

If you are acquiring an existing commercial center, you will attend and complete all phases of initial training at the next scheduled time before acquiring or assuming the operation of the commercial center. If we authorize you to attend initial training after acquiring or assuming the operation of the commercial center, you must attend initial training within about 90 days after acquiring or assuming the operation of the commercial center. You must pay us a non-refundable training and processing fee. See Item 5.

We may require any of your principals or personnel who become actively involved in the management of your commercial center to successfully complete any training programs we require. You (or your managing shareholder or partner) and/or any previously trained managers must attend any refresher courses at locations that we designate. You must pay transportation, lodging and meal expenses, wages and employee benefits incurred for yourself and your personnel for required refresher courses and optional training programs.

We may organize national conventions for franchisees. National conventions may occur about every 10 to 18 months. You and/or your designated personnel must attend the full program of, and must stay at the designated hotel of, each national convention. We will pay your national convention registration fee for up to 2 people for the 1st national convention after you open the physical warehouse of your commercial center, assume the operation of an existing commercial center by transfer, or convert an existing business to a commercial center, if you are a new franchisee. For the 1st national convention, you must pay us the national convention hotel fee for 1 room, and you must pay for any additional rooms. If your accrued national convention participation deposits are not sufficient to cover the national convention registration fee or the national convention hotel fee, we have the right to debit your bank account for the difference. You will be responsible for travel expenses, incidental expenses, and additional lodging that is not covered by the registration fee or the hotel fee for you and/or your personnel. After the 1st national convention, you must pay us a per-person national convention registration fee (see Item 6) and a

national conventional hotel fee for 1 room (see Item 6) to attend each national convention. Currently, beginning after you (i) open the physical warehouse of your commercial center, (ii) assume the operation of an existing commercial center by transfer, or (iii) convert an existing business to a commercial center, we will collect from you national convention participation deposits of \$25 per week each Tuesday, after the close of business, for the week ending the previous Saturday, by automatic draft from your designated bank account. These deposits will first be applied towards the registration fee and the hotel fee for the next national convention. If your accrued national convention participation deposits are not sufficient to cover these fees, we have the right to debit your bank account for the difference. If you and/or your personnel attend the full program of, and stay at the designated hotel of, the national convention, any remaining national convention participation deposits will roll over for the following national convention unless, subject to our approval and in our business judgment, we authorize these deposits to be applied to or reimbursed for other expenses associated with the national convention, including you and/or your personnel's, travel, incidental expenses, and additional lodging expenses. If you and/or your personnel fail to attend the full program of, or fail to stay at the designated hotel of, the national convention, these deposits will be forfeited to us as of the closing date of the national convention. If you are acquiring an existing commercial center from a selling franchisee (transfer), we will transfer any of the selling franchisee's accrued national convention participation deposits as of the transfer closing date to your account. The selling franchisee may negotiate with you that this amount be reimbursed to selling franchisee by you through the Escrow Agent (see Item 6, Note 11) at the closing as an adjustment to the sales price. Any national convention participation deposits will be forfeited on expiration, termination, or non-renewal of the franchise, and/or closure of the commercial center.

We also may organize periodic regional meetings. You and/or your designated personnel must attend any regional meetings in your geographic area. Currently, there are no registration fees for regional meetings, but we may charge a fee in the future, estimated to be a proportionate share of our out-of-pocket costs for hosting the meeting. You must pay for transportation, lodging and meal expenses, wages and employee benefits incurred for yourself and your personnel. If there is a regional licensee with responsibility for the geographic area where your commercial center is located, it may provide some or all training or instruction to you, either personally or through its personnel.

Site Selection

We must approve the site for your commercial center. We approve or disapprove a site within 30 days after you propose it, based on factors such as population density, demographics, competition from other businesses, the nature of other businesses in proximity to the site, commercial characteristics, visibility, accessibility, size, appearance and other physical characteristics that determine the suitability of the site. We will assist you in selecting a site, subject to availability of personnel and at your request. We do not own or lease the commercial center to you. We may, but are not obligated to, inspect a proposed site. If we inspect a proposed site, we will not charge you. If we disapprove a proposed site, you must locate another site for your commercial center. If you and we fail to agree on a site, we may terminate the franchise.

Opening of Commercial Center

You must open a physical warehouse for your commercial center within 270 days after you sign the franchise agreement and after completing the entire initial training program. Commercial

center franchisees typically open their physical warehouses 3 to 9 months after signing the franchise agreement. Factors that may affect this time period include location of an approved site, ability to obtain financing, zoning and environmental permits, construction delays (weather, labor, materials), delivery and installation of equipment and signs, and whether or not you purchase a commercial center that is already operating. If you do not open a physical warehouse for your commercial center within 270 days after you sign the franchise agreement, or within any extended time period that we approve, we may terminate the franchise. If we terminate the franchise after you begin initial training, we will not refund the initial franchise fee. If we terminate the franchise before you begin initial training, and if we determine that you are entitled to a refund, we may refund the initial franchise fee, less \$8,000 to compensate us for services to you to that point (including site evaluation and selection, Center layout, travel and living expenses, compensation to our employees and agents, legal fees and related expenses, and other pre-opening supervision and advice), and less any actual out-of-pocket expenses, including any broker referral fees that we may have been required to pay in connection with your execution of the franchise agreement. If you decide to purchase an existing franchised business instead of opening a new franchised business after you sign the franchise agreement, we will not refund any of the initial franchise fee, whether or not we terminate the franchise.

Item 12

TERRITORY

You will receive a protected territory. If you remain in compliance with the franchise agreement, we will not own or operate, or authorize any other person to own or operate, any other commercial center under any of our commercial center-related brands within your protected territory. However, a standard retail center, flex retail center, and/or express retail center may be located within your protected territory, and your commercial center may be located within the protected area of a standard retail center, flex retail center, and/or express retail center. In addition, we may periodically acquire an entity or a portion of its assets (i.e., franchise agreements, contracts or licenses, etc.), we, or a portion of our assets (i.e., franchise agreements, contracts or licenses, etc.), may be acquired by an entity, where such entity or assets, owns, or operates or licenses businesses that offer the same or similar products or services as your commercial center offers. The location or operation of any such entity, assets or business (franchised or otherwise) within your protected territory will not violate 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.

We grant you the right to operate 1 commercial center at a mutually agreed premises designated on Attachment 3 to the franchise agreement. Generally, before you sign a lease for the facility for your commercial center, we will determine your territory according to the following factors: 1) location; 2) population; 3) proximity to similar businesses; 4) number of other businesses providing the same or similar services; 5) demography of the area; 6) growth potential; and 7) market trends. In addition, the following standards apply:

1. The territory will be a geographic area containing a minimum of 100,000 persons, based on the latest U.S. census data or mapping software. In addition, generally, the territory will be equivalent in area to a 7-mile radius around the commercial center, but will not be a uniform

shape (such as a circle with the commercial center near the middle); rather the territory is likely to reflect geographic features of the area, including streets, political boundaries, natural boundaries, and specific postal zip codes.

2. Except for the location of a commercial center within your territory, you do not have the right to exclude, control or impose conditions on the location of present or future Navis Pack & Ship, Handle With Care Packaging Store, Pak Mail Freight or any other brand commercial centers or distribution channels, regardless of their location or proximity to your commercial center and of their type, franchised, owned or licensed by us, our affiliates, or our/their respective licensees. The terms "Navis Pack & Ship," "Handle With Care Packaging Store," and "Pak Mail Freight" do not include, and you have no rights with respect to, other distribution opportunities or other businesses, wherever they may be located and whatever Customers they solicit or serve, including within your territory. We reserve the right to use other distribution opportunities, including auction services and outlets, strategic partnerships or alliances with freight, shipping, and moving companies, and Internet websites or other platforms.

3. The franchise agreement does not grant you any rights with respect to the territories or operations of other or related businesses, products or services in which we or any of our affiliates (or any licensees of ours or theirs) may be involved, now or in the future.

You are required to comply with all standards and specifications established by us in our Manuals, other materials regarding target marketing and referral sources, account sharing, Customer restrictions, inter-franchise sales, co-operative business practices and conduct, and any remedial process related to disputes between or among commercial center franchisees or other Annex Brands-related businesses, in writing or otherwise. Our current policies limit or preclude you from dealing with Customers of other commercial center franchisees in prescribed circumstances, and a failure to comply with the policies is a breach of the franchise agreement, entitling us to all remedies, including termination of your franchise. Our current policies also provide that:

1. You and/or your salesperson may market to any Customer within your territory, subject to the limitations described by us in Subsections 3.3 and 12.4 of the franchise agreement, and in our Manuals, in writing or otherwise. You may not market via your salesperson or other method of advertising to locations, business referral sources, or Customers outside of your territory without our prior written consent and/or as otherwise provided by us in this Item 12, the franchise agreement, our Manuals, in writing or otherwise, which may include mass media marketing activities that target locations/Customers outside of your territory.

2. Subject to the limitations described by us in this Item 12, the franchise agreement, our Manuals, in writing or otherwise: (i) you may service Customers outside of your territory who have been referred to you via business referral sources that you have developed and who are located within your territory, even if the Customers are in the protected territory of another commercial center franchisee; and (ii) other franchisees may service Customers within your territory who have been referred to them via business referral sources that they have developed and who are located within their territories; and

3. Subject to the limitations described by us in this Item 12, the franchise agreement, our Manuals, in writing or otherwise, we may decide in our business judgment to allow you to develop relationships with business referral sources, or service Customers located outside your

territory, provided such business referral sources and Customers are not located within protected territories granted to other commercial center franchisees. Except for the instances described above (Customers referred to you from business referral sources located within your territory), you must immediately cease acceptance of referral business or service to such Customers in the event that a commercial center is opened in the future whose protected territory contains such business referral sources or Customers. You must assist in the transition of such business referral sources or Customers located outside of your territory to future commercial centers. You will be compensated by the new franchisee in an amount equal to 5% of the total gross billed amount for any services performed for these Customers during the 1-year period after the opening of the new center.

We may change or eliminate any of these policies. You must comply with our policies as they change.

You must comply, on our request, with local marketing programs/limitations that we periodically establish in our business judgment, including instructions/limits regarding marketing to members of a particular market segment (e.g., moving companies, auction houses, art and antique dealers, online auction companies, etc.) inside or outside of your territory. We may manage and mandate the distribution of business/Customer leads from such business referral sources to help build your brand and the franchise network and for other business purposes.

As more fully described by us in our Manuals, in writing or otherwise, you may be required to pay our then-current referral fee to another commercial center franchisee, or as we otherwise direct, if you perform work for a Customer within your territory who was previously that franchisee's Customer. Additionally, in certain circumstances as more fully described by us in our Manuals, in writing or otherwise, you may not be permitted to service Customers of other commercial center franchisees, even if they are located within your territory.

Your use of the Internet, social media platforms, online directory listings, other networking platforms and other comparable electronic identities or other means of marketing and distribution of goods or services may be restricted by us in our business judgment. You may not market or sell through these venues or any channel of distribution other than at your commercial center without our prior written permission, which we can grant, condition or deny in our business judgment. You may use only the website(s) and email address(es) we authorize to represent your commercial center in advertising, in print or digital media, in any published material, or by any other means.

We may choose to offer or provide products and services through the Internet, other similar venues, or any other channel of distribution except another commercial center located within your territory, no matter where Customers are located.

We or an affiliate may choose to offer business accounts, national accounts, work orders for products or services, and other fulfillment business to you periodically ("Franchisor Customer Referrals"). Our current policy is to offer you the opportunity to service a Franchisor Customer Referral for a specific fee, which is less than the price at which we sell the business to the Customer. If you are willing and able to service a Franchisor Customer Referral within your territory in the manner and timeframe specified, and for the price we have quoted you, you may accept the Franchisor Customer Referral and perform the work according to the specifications agreed to in advance. If you are not in good standing under the franchise agreement or any other agreement with us or any of our affiliates or franchisor entities, if you refuse a Franchisor Customer Referral, or if we reasonably believe that you are unable to service a Franchisor Customer Referral,

we may service the Franchisor Customer Referral directly, or through another commercial center or retail center, an affiliated business, or a 3rd party.

You may not contact or otherwise deal with special accounts, except as provided in the franchise agreement, and as we may periodically specify.

Your territory may be amended by the mutual written agreement of you, us, and the regional licensee, if any, for your geographic area.

As noted in Item 1, we acquired Pak Mail Centers of America, Inc. on April 20, 2016. The acquired franchisees may continue to operate businesses similar to our retail centers and commercial centers under the Pak Mail trade names in their existing territories. We acquired substantially all of the franchise assets and programs of EAGLE on October 31, 2014. The acquired franchisees may continue to operate retail centers under the Parcel Plus trade names in their existing territories. We acquired substantially all of the franchise assets and programs of Amailcenter Franchise Corporation ("AFC") in August 2011. The acquired franchisees may continue to operate retail centers under the AIM Mail Centers trade names in their existing territories. We acquired substantially all of the franchise assets and programs of Navis Logistics Management, Inc. ("NLM") in January 2011. The acquired franchisees may continue to operate retail centers and commercial centers under the Navis Pack & Ship trade names in their existing territories. We also acquired substantially all of the franchise assets of The Packaging Store, Inc. ("PSI") in September 2007. The acquired franchisees may continue to operate commercial centers under the Handle With Care Packaging Store trade names in their existing territories. Also as noted in Item 1, we acquired substantially all of the franchise assets of Sunshine Pack & Ship USA Corp. ("Sunshine") in September 2006. The acquired franchisees and area developers may continue to operate their retail centers under the Sunshine Pack & Ship trade names in their existing territories. We are continuing to offer PostalAnnex, PostalAnnex+, Pak Mail, AIM Mail Centers, Parcel Plus, Handle With Care Packaging Store, and Sunshine Pack & Ship retail center franchises (see our Retail Center Franchise Disclosure Document for additional information), and Navis Pack & Ship, Handle With Care Packaging Store and Pak Mail Freight commercial center franchises. We provide training and other support to all of the franchises from our San Diego headquarters office, and we provide additional support to the franchisees from our Denver logistics center office in Centennial, Colorado.

We plan to acquire additional franchise assets and programs related to retail centers and commercial centers operating under different trademarks.

All retail centers and commercial centers, subject to any restrictions in their own franchise agreements, may solicit and service clients and otherwise advertise and offer their respective products and services to any individuals or entities regardless of those individuals' or entities' geographic locations, including any locations within your territory (see our Retail Center Franchise Disclosure Document for more information). We may solicit and service clients nationwide on our website. If we make website sales to clients located within your protected territory, we may pay you a commission (typically from 10% to 50%).

You will not receive the automatic right to acquire franchises for additional commercial centers in additional protected territories (see Item 5).

Relocation

If your lease or sublease for your commercial center expires or terminates, if your commercial center is damaged, condemned or otherwise rendered unusable, or if in your and our business judgment there is a change in the character of the location of your commercial center sufficiently detrimental to its business potential to warrant its relocation, you will relocate your commercial center to a location and premises within your territory described in Attachment 3. If you request to relocate to a location and premises outside your Territory and we approve the relocation, you will need to execute an amended Attachment 3 with a new territory. You will relocate your commercial center within 6 months. Any relocation requires our prior written approval, will be at your sole expense and requires you to sign a general release (see Subsection 4.6 of the franchise agreement and Exhibit H to this disclosure document).

Performance Standards

You and we have a shared interest in your commercial center achieving a minimum level of gross volume. Our current performance standards require you to achieve a minimum gross volume of \$150,000 within 1 year of your opening date, a minimum of \$250,000 for your 2nd year of operations, and a minimum of \$400,000 for your 3rd year of operations and during each subsequent year.

If your gross volume falls below the minimum performance standard for a 12-month period, we will grant you a correction period of 6 months to increase your gross volume to an acceptable level. During the correction period, we will reasonably cooperate with and assist you in your efforts to meet the performance standard. If you fail to meet the performance standard after the correction period, we: (i) can elect in our business judgment to cancel any and/or all of your territorial or similar rights (including any rights of first refusal), whether arising under the franchise agreement or under any other agreements between you and us or any of our affiliates or franchisor entities; (ii) may condition your participation in any program, or your receipt of any System benefits; or (iii) may terminate the franchise.

If you are servicing 2 or more protected territories, such performance standards will apply separately and individually to each territory. We may make reasonable revisions to elements of the performance standards on 6 months' written advance notice to you. These revisions may include changes in measurement periods or minimum gross volume requirements.

Item 13

TRADEMARKS

We grant you the non-exclusive right and obligation to use the trademarks, service marks, trade names, logos, trade dresses and other commercial symbols that we make available to you ("Marks"). The Marks that you are authorized to use will be those associated with the brand designated on Attachment 3 to the franchise agreement, and those specified by us in our Manuals (including the Integrated Franchise Marketing Program Manual), in writing or otherwise.

You may not use any Mark, or any confusingly similar name, as part of your corporate, partnership, firm or other formal business name, website address, domain name, email address or other identification in any print, digital, electronic or other medium, including social media platforms, online directory listings, other networking platforms and other comparable electronic

identities, unless we give you our prior written consent (see Section 5 and Attachment 7 to the franchise agreement). You may not use any Mark for the sale of unauthorized products and services, or in any manner we have not authorized in writing. All rights to, and ownership of, any goodwill created by, the use of each Mark accrues solely to us.

Federal Registrations

We own the following Marks that are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

Description of Mark	Registration Number	Registration Date
Pak Mail & design	1,372,934	November 26, 1985
Parcel Plus & design	1,492,544	June 14, 1988
AIM Mail Centers	1,590,307	April 3, 1990
Pak Mail	1,626,262	December 4, 1990
PostalAnnex+	1,649,714	July 2, 1991
PostalAnnex+	1,650,995	July 16, 1991
Your Home Office	1,650,996	July 16, 1991
Your Home Office	1,651,043	July 16, 1991
Your Home Office	1,652,626	July 30, 1991
PostalAnnex+	1,672,118	January 14, 1992
PA+ & design	2,015,762	November 12, 1996
AIM Mail Centers & design	2,098,859	September 23, 1997
Creating Time for a Busy World	2,261,071	July 13, 1999
PA+ Express Business Center	2,261,072	July 13, 1999
PA+ & design	2,261,073	July 13, 1999
PostalAnnex+ Express Business Center	2,263,056	July 20, 1999
Pak Mail & design	2,354,931	June 6, 2000
Today's To-Do's...Done	2,479,989	August 21, 2001
Sunshine Pack & Ship	2,564,236	April 23, 2002
Navis	2,613,525	August 27, 2002
AIM-azing	2,691,983	March 4, 2003
Parcel Plus	2,843,429	May 18, 2004
Pak Mail You've Got Choices! & design	2,939,507	April 12, 2005
Pak Mail We Ship Anything Anywhere & design	2,939,508	April 12, 2005
Handle With Care Packaging Store the Packaging & Shipping Experts & design	3,156,162	October 17, 2006
NavisConnect	3,166,016	October 31, 2006
AIM Mail	3,432,826	May 20, 2008
Sunshine Global Logistics & design	3,448,009	June 17, 2008
PA+ Logistics	3,448,010	June 17, 2008
PostalAnnex+ Logistics	3,448,012	June 17, 2008
PA+ Moving	3,448,013	June 17, 2008
PostalAnnex+ Moving	3,448,014	June 17, 2008

Description of Mark	Registration Number	Registration Date
PA+ Pack & Ship	3,448,015	June 17, 2008
FLAV	3,448,210	June 17, 2008
Annex Brands	3,515,571	October 14, 2008
Annex Brands & design	3,515,574	October 14, 2008
PostalAnnex+	3,557,385	January 6, 2009
PostalAnnex+ Pack & Ship	3,614,371	May 5, 2009
Handle With Care Packaging Store	3,621,432	May 19, 2009
Handle With Care Packaging Store & design	3,625,226	May 26, 2009
Navis Pack & Ship & design	3,755,329	March 2, 2010
Annex Copy Center	4,378,850	August 6, 2013
ABConnect	4,450,520	December 17, 2013
Pak Mail Pack It Ship It Crate It Freight It & design	4,542,225	June 3, 2014
PostalAnnex	4,922,385	March 22, 2016
PostalAnnex & design	4,922,380	March 22, 2016
PostalAnnex Business Center	4,922,381	March 22, 2016
PostalAnnex Business Center & design	4,922,378	March 22, 2016
PostalAnnex Your Home Office	4,922,383	March 22, 2016
PostalAnnex Your Home Office & Design	4,922,379	March 22, 2016
Pak Mail Freight Your Leader in Logistics Solutions & design	5,751,615	May 14, 2019
NLS	6,041,434	April 28, 2020
TrustNLS	6,041,435	April 28, 2020
N Navis Pack & Ship & design	6,162,790	September 29, 2020
National Logistics Services & design	6,192,754	November 10, 2020
National Logistics Services A Division Of Annex Brands, Inc.	6,192,755	November 10, 2020
National Logistics Services A Division Of Annex Brands, Inc. & design	6,192,756	November 10, 2020
FLAV The Fragile, Large, Awkward, Valuable Specialists	6,635,398	February 8, 2022

We also own the following state trademark, acquired from PSI:

State	Description of Mark	Registration Number	Registration Date
CO	Packaging Store	19851025806	March 12, 1984

We also own the following foreign trademark registrations in the countries indicated:

Country	Description of Mark	Registration Number	Registration Date
Australia	Pak Mail & design	744434	September 19, 1997
Australia*	PostalAnnex+	1279029	June 23, 2008

Country	Description of Mark	Registration Number	Registration Date
Benelux	Pak Mail	603033	September 1, 1997
Canada	Navis	TMA 622,434	October 14, 2004
Canada	NavisConnect	TMA 799,849	June 13, 2011
Canada	FLAV the Fragile, Large, Awkward Valuable Specialists & design	TMA 801,173	June 30, 2011
Canada	Navis Pack & Ship & design	TMA 811, 684	November 14, 2011
China*	PostalAnnex+	986972	June 23, 2008
European Union	Pak Mail	514026	February 11, 2000
Germany	Pak Mail	398070962	April 15, 1998
Hong Kong	PostalAnnex+	301142766	June 18, 2008
India	PostalAnnex+	1721332	August 13, 2008
Japan*	PostalAnnex+	986972	June 23, 2008
Japan	Pak Mail & design	4263799	April 16, 1999
Mexico	PostalAnnex+	412,570	May 7, 1992
Mexico	Pak Mail	425,613	November 17, 1992
Mexico	Pak Mail & design	430,803	February 4, 1993
Mexico	Pak Mail & design	460,988	May 18, 1994
Mexico	Pak Mail & design	460,987	May 18, 1994
New Zealand	Pak Mail & design	281366	May 20, 1999
New Zealand	Pak Mail & design	281367	May 20, 1999
Republic of Korea (South)*	PostalAnnex+	986972	June 23, 2008
Singapore*	PostalAnnex+	T08 180781	June 23, 2008
Spain	Pak Mail & design	M2252680	January 30, 2004
Taiwan	PostalAnnex+	1393427	January 1, 2010
United Kingdom	Pak Mail	UK00002134422	January 28, 2000

* Madrid Protocol, USPTO Reference No. A0012892 – Registration No. 986972

We have applied for the following foreign trademark registrations in the countries indicated:

Country	Description of Mark	Application Number	Application Date
Canada	Handle With Care Packaging Store & Design	2109210	May 25, 2021
Canada	Parcel Plus	2109212	May 25, 2021
Canada	PostalAnnex+	2109211	May 25, 2021

We have filed, and intend to continue to file, all required renewal applications and affidavits for the Marks in the U.S. and in selected foreign countries.

Determinations and Agreements

There are no currently effective material determinations of the USPTO, any Trademark Trial and Appeal Board, any state trademark administrator or any court, nor are there any pending interference, infringement, opposition or cancellation proceedings or litigation, involving any Mark in any manner that is material to the franchised business. There are no decided infringement, cancellation or opposition proceedings in which we unsuccessfully fought to prevent registration of someone else's trademark in order to protect our Marks.

There are no currently effective agreements that significantly limit our rights to use and license the Marks in any manner that is material to the franchised business.

Protection of Rights

We will control any administrative proceedings or litigation involving the Marks. You must notify us promptly if you learn of any use by any person or legal entity, other than us or our franchisees, of any Mark or any variation of any Mark. We will decide whether and how to take action against the unauthorized use of any Mark. Our current intent is to take strong and progressive actions (which may include bringing litigation) against that use. However, the franchise agreement does not require us to take affirmative action when we are notified of any uses or claims. Any action that we take will be taken in our business judgment and at our expense.

You must notify us promptly of any litigation brought against you involving any Mark, and you must deliver to us copies of any documents concerning the litigation that we request. We will decide whether to settle or defend any trademark litigation brought against you. If we decide to take action, we will do so at our expense, but you must cooperate with us. If the defense does not involve issues concerning the operation of your commercial center, we will reimburse you for your out-of-pocket costs. If we decide not to defend or settle any trademark litigation brought against you, you must defend or settle the litigation at your own expense.

We will indemnify you to the extent that litigation involves defending against infringement or unfair competition if you are using the Marks in compliance with the franchise agreement, our Manuals, and our other instructions in writing or otherwise, and if you give us notice of the claim within 30 days of learning of it.

We may acquire or develop additional Marks, use them, make them available for use by you and/or other franchisees, and/or make them available for use by other persons or entities, in our business judgment.

We may modify or substitute any Mark in our business judgment. You must comply with any such modification or substitution at your expense. You must use and display at your commercial center, on stationery and other written or graphic materials, notices in forms we approve, stating that you are a franchisee using the Marks under a franchise agreement. You may not directly or indirectly contest our rights in any Mark.

Co-Branding

Notwithstanding other provisions in the franchise agreement, we reserve the right to establish relationships, partnerships, joint ventures, and other strategic alliances (collectively, "programs") with suppliers, retailers, service providers, and other franchise or distribution companies (collectively, "companies"), in which the products or services of those companies will be co-marketed with our products and services, which may entail the promotion of the "brands" of those companies' products and services and the license of those companies' marks. If we establish any programs of this type, you must participate in accordance with guidelines and requirements that we establish, including the execution of separate licensing and distribution agreements in forms we specify, and the payment of reasonable fees related to the programs that may be in addition to royalty fees and marketing fees. (Franchise Agreement, Subsection 7.5.)

Superior Prior Rights and Infringing Uses

We do not know of any superior prior rights that could materially affect your use of any Mark. We do not know of any infringing uses that could materially affect your use of any Mark.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

No patents are material to the franchise.

Copyrights

We have not registered any copyrights with the United States Copyright Office (Library of Congress), but various marketing, sales, training, management and advertising materials we have created are and will be protected under the U.S. Copyright Act, whether or not registrations have been obtained. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for the purpose of operating and promoting your commercial center. On December 18, 2007, our affiliate, PMCA, registered a copyright for advertising material titled "We Expertly Handle Every Detail," which was first published on September 22, 2003 (registration no. VA 1-647-047). The duration of the copyright is 95 years from the date of first publication, without further renewal rights. On July 24, 2019, a copyright for our proprietary software, ABCConnect, was registered with the United States Copyright Office, Library of Congress (Registration No. TX0008786471).

There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the copyrighted materials that are relevant to their use by our franchisees.

There are no agreements currently in effect that significantly limit our right to use or license the use of our copyrighted materials in any manner material to the franchise. We do not know of any infringing uses of our copyrighted materials that could materially affect your use of those materials, and all of the provisions in Item 13 under the heading "Protection of Rights" also apply to copyrighted materials; provided, however, that you must modify or discontinue use of any subject matter covered by a copyright if directed by us.

Proprietary Information

We lend you our Manuals, which are proprietary and copyrighted, and which contain both mandatory standards, specifications, policies and procedures (sometimes referenced as “standards and specifications”), and non-mandatory guidelines and recommendations, for the development and operation of your commercial center. Our Manuals, and other materials we provide to you, contain confidential information including: (1) information regarding techniques, technology, software, information, systems and knowledge used in the development and operation of commercial centers; (2) information regarding the suppliers of, and products and services used or offered by, commercial centers; and (3) information regarding Customers of commercial centers, including statistical information. Item 11 describes our Manuals and the manner in which you are permitted to use them. All documents and information provided to you, including the information in our Manuals, are for your exclusive use during the term of the franchise, are intended to remain confidential after the term of the franchise, and may not be reproduced, loaned or shown to any person outside the System.

You must have each employee and independent contractor sign an agreement before you grant him, her or them access to our Manuals or any other proprietary and confidential information, by which he, she or they agrees to the confidentiality of the System, agrees not to use any information about the System for his, her or their own benefit without an appropriate license, and agrees not to compete in certain respects with your commercial center and other franchisees’ businesses (see Exhibit G of this disclosure document).

You must acquire a license from us to use certain proprietary software and technology for the ABConnect System. Your rights to continue to license this system are subject to your remaining in good standing under your franchise agreement or any other agreement with us or any of our affiliates. We will indemnify you against any liability to 3rd parties resulting from claims that any component of the ABConnect System proprietary to us or our affiliates infringes on or violates any patents, copyrights, or trade secrets of these 3rd parties. This indemnification is limited exclusively to those components licensed to you under the license agreement which are expressly proprietary to us or our affiliates, and is contingent on your providing us with prompt written notice of any claims. You must grant us the sole right to defend any claim. If an infringement occurs, we will, at our option and as your exclusive remedy:

1. Revise the applicable component so that it is not infringing;
2. Obtain necessary rights to permit the continued use of the component or provide a comparable substitute; and
3. Terminate the license agreement and reimburse you for all amounts paid by you to us under the license agreement for the 2 months before termination.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

You must manage the day-to-day operations and sales functions of your commercial center on-site, on a full-time basis, less reasonable vacation periods. We do not permit absentee management. At such time when you are required to open a physical warehouse for your

commercial center, in addition to yourself, your commercial center must have at least 1 full time operations person, 1 part-time operations person, and 1 part-time salesperson.

At least 1 operations person must attend and successfully complete initial training. The operations persons are responsible for performing duties within the commercial center, including boxing, crating, packaging and organizing Customers' goods.

You and your salesperson are responsible for business development of your commercial center. We may require your salesperson to successfully complete sales and marketing training.

You are solely responsible for the hiring and management of your commercial center personnel, for the terms of their employment and for ensuring their compliance with any training requirements that we establish, including the terms and conditions of the ABCConnect license agreement (Attachment 6 to the franchise agreement).

If your salesperson or operations personnel discontinues employment with your commercial center, you have 60 days to find a replacement. If you fail to comply with this requirement, we may terminate your franchise.

If you are a legal entity, each shareholder, member, principal officer or partner must personally guarantee your obligations under the franchise agreement and all other agreements signed between you and us, and also must agree to be personally bound by, and personally liable for breach of the franchise agreement. The personal guarantee is included as Attachment 2 to the franchise agreement.

Item 16

RESTRICTIONS ON WHAT FRANCHISEE MAY SELL

You must purchase, use and offer each of, and only, the types, brands and quality of designated equipment, products and services we designate and, use only suppliers we designate or approve. In particular, you must use only those transportation suppliers designated by us. Suppliers may include, and may be limited to, us and our affiliates. You must conduct all international shipping business through us (see Item 8). At no time may you sell prohibited or unapproved products or services.

We may change the types of products and services that we approve or authorize, so long as the products and services are compatible with the System. There are no other limits on our right to make these changes.

We also may require you to participate in any sales fulfillment or other programs related to strategic marketing alliances we negotiate or form with other companies, which may include our affiliates. (Franchise Agreement, Subsection 11.7.)

After you have a physical warehouse, you may not operate your commercial center or use our Marks at any location other than that warehouse, or for any purpose other than the operation of your commercial center. You must use and sell only products and services, and must deal only with suppliers, approved by us in our business judgment. (Franchise Agreement, Subsection 11.2.)

You must use your commercial center solely for the purposes we specify or approve in writing. Except where otherwise approved by us in writing, the center must be open and operating at all times between the hours of 8 a.m. and 5 p.m., Monday through Friday, except on New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. You must refrain from using or permitting the use of your commercial center for any other purpose or activity at any time without our prior written consent.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
(a) Length of the franchise term	3.1	20 years.
(b) Renewal or extension of the term	16.1	An additional 20-year term.
(c) Requirements for you to renew or extend	16	Substantially comply with franchise agreement and all other agreements with us or our affiliates; notify us of intent to renew 6-12 months before 20-year anniversary of execution of franchise agreement; show evidence of right to possess site, or secure approved substitute site; fully comply with specifications and standards for commercial centers; sign general release; sign then-current franchise agreement and related agreements; pay renewal fee. At the expiration of the term, if you seek to renew your franchise, you may 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 territorial rights.
(d) Termination by you	Not applicable	Not applicable, subject to state law.
(e) Termination by us without cause	Not applicable	We cannot terminate your franchise without cause.
(f) Termination by us with cause	17.1, 17.2 and 17.3	We may terminate your franchise only if you default.

Provision	Section in Franchise Agreement	Summary
(g) "Cause" defined-curable defaults	17.2 and 17.3	<u>10-day right to cure, subject to state law:</u> You fail to (1) maintain required insurance; (2) correct any condition that may be a danger to public health and safety; (3) report Gross Volume accurately; (4) make payments due to us; or (5) comply with dispute resolution provisions of the franchise agreement. <u>30-day right to cure, subject to state law:</u> You fail to (1) cure any default under the lease or sublease; (2) comply with your obligations to others; (3) replace your operations or sales person within 60 days; (4) use the hardware, software, etc. systems under the terms of any license agreement; or (5) comply with any other terms of the franchise agreement or any specification, standard or operating procedure or rule prescribed by us which does not provide for a shorter notice period.
(h) "Cause" defined- non-curable defaults	17.1	<u>On notice, subject to state law:</u> Material misrepresentation; bankruptcy; conviction of a felony or other crime; misconduct; fraud or material omission; unauthorized use of Marks or confidential information; failure to meet site selection, development or opening requirements; abandonment or failure to operate commercial center for 10 consecutive days; unauthorized transfer; loss of rights to possession of the commercial center; violation of non-compete covenants; failure to cooperate with an audit or to provide records; failure to attend 2 consecutive national conferences or regional meetings; failure to successfully complete follow-up training; 10 or more material Customer complaints in any 12-month period; 3 or more defaults within any 12-month period; or 4 or more defaults within any 24-month period.

Provision	Section in Franchise Agreement	Summary
(i) Your obligations after transfer, expiration, termination or non-renewal	18; Attachments 4 and 11	After expiration, non-renewal, repurchase, termination, or transfer (as applicable): you must (1) pay sums owed us within 10 days; (2) cease using our Marks; (2) remove signs and other materials with our Marks; (3) de-identify; (4) comply with post-term non-competition and non-interference covenants; (5) transfer to us all telephone and fax numbers, classified or other telephone and fax directory listings, email addresses, domain names, Internet addresses or websites, or other communications services links, social media platforms, online directory listings, other networking platforms, other comparable electronic identities and any related directory listings, web pages and advertising/marketing that are associated with our Marks or used in connection with the operation of your commercial center; (7) cancel fictitious name registrations; (8) return our Manuals; (9) cease use of our confidential information; (10) on our request, furnish to us a copy of a sales history and Customer database for the most recent 2-year period (or shorter period, if applicable); (11) permit us to enter, operate and attempt to sell your commercial center, if we elect. If you do not comply, you also must pay our expenses in enforcing our rights.
(j) Assignment of agreement by us	15.1	There is no restriction on our right to assign.
(k) "Transfer" by you – defined	2.1.GGG	Any voluntary, involuntary, direct or indirect assignment, sale, gift, transfer by will, declaration of or transfer in trust, or under the laws of intestate succession; in a divorce proceeding or otherwise by operation of law; or any other transfer of all or any part of the franchise, your commercial center, the franchise agreement or a business entity, or any lease or assets associated with any of the foregoing; or a merger or consolidation with another business entity or the issuance of other ownership interests in your business entity.
(l) Our approval of transfer by you	15.3	We must approve all transfers, but our consent will not be unreasonably withheld.

Provision	Section in Franchise Agreement	Summary
(m) Conditions for our approval of transfer	15.3	You give 90 days' notice; we approve proposed transferee; transferee signs then-current franchise agreement; you pay all monies owed to us; you fulfill all of your obligations to 3 rd parties; you obtain consent to assignment of lease or sublease; you or transferee pay transfer fee; you sign general release; you and transferee sign non-compete agreements; transferee successfully completes initial training; you or transferee upgrade commercial center to our then-current standards; you and transferee use services of escrow agent; transferee pays new center/new owner marketing program deposit and technology license transfer fee; transferee pays CFB deposit; and you or transferee reimburse us for any commission we paid to any sales consultants or brokers.
(n) Our right of first refusal to acquire your business	15.9	Provide us with copy of written offer; we notify you of our intent to purchase on terms within 30 days.
(o) Our option to purchase your business	Not applicable	Not applicable
(p) Your death or disability	15.7	Commercial center must be transferred to an approved person within 6 months.
(q) Non-competition covenants during the term of the franchise	9.2; Attachment 11	Cannot have any interest in a similar business; cannot divert Customers from your commercial center, any other commercial center or any retail center.
(r) Non-competition covenants after transfer, or after the franchise expires, terminates or is not renewed	9.2, 18.4.C and Attachment 11	For continuous 2-year period, cannot have any interest in a similar business within 15-mile radius of your commercial center, any other commercial center or any retail center, and cannot divert Customers from your former commercial center, any other commercial center or any retail center. We may recover all profits and royalties of any similar business you establish.
(s) Modification of the agreement	19.12	Parties must agree in writing.
(t) Integration/merger clause	19.11	Only terms of the franchise agreement, including its attachments, are binding (subject to state law). Any representations or promises outside of this disclosure document and the franchise agreement may not be enforceable.
(u) Dispute resolution by arbitration or mediation	19.7.C	All disputes, except disputes involving trademark claims or claims for injunctive relief, must be arbitrated, and arbitration on a class-wide basis is prohibited (subject to state law).
(v) Choice of forum	19.7.C	San Diego, California (subject to state law).
(w) Choice of law	19.8	California law applies, except the law of the state where your commercial center is located will apply to your obligations under Subsection 9.2 of the franchise agreement (subject to state law).

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 information is based solely on reports supplied by the commercial centers. Except as noted below, all of the commercial centers were full, standard size, commercial facilities using the Navis Pack & Ship Marks and the Navis System, and generally were operated from physical warehouses in light industrial areas.

The financial performance representations in this Item 19 show historical results. They should be read in conjunction with the explanatory notes.

Fiscal Year Ended September 30, 2022

The information below is based on the actual Gross Volume in the fiscal year ended September 30, 2022, of the franchised Navis Pack & Ship commercial centers open 12 months or more as of September 30, 2022.

CHART 1

Annual Gross Volume Ranges, and Average and Median Annual Gross Volumes, in Fiscal Year Ended September 30, 2022, of franchised Navis Pack & Ship Commercial Centers Open 12 Months or More as of September 30, 2022

COMMERCIAL CENTERS IN SAMPLE			36
AVERAGE ANNUAL GROSS VOLUME			\$708,000
% MEETING OR EXCEEDING AVERAGE ANNUAL GROSS VOLUME			47%
RANGE OF ANNUAL GROSS VOLUME	\$3,228,000	to	\$119,000
MEDIAN ANNUAL GROSS VOLUME			\$529,000
RANGES, AVERAGES AND MEDIANS OF ANNUAL GROSS VOLUME GROUPED BY THIRDS:			
UPPER THIRD - AVERAGE ANNUAL GROSS VOLUME			\$1,313,000
- RANGE OF ANNUAL GROSS VOLUME	\$3,228,000	to	\$971,000
- MEDIAN ANNUAL GROSS VOLUME			\$1,110,000
MIDDLE THIRD - AVERAGE ANNUAL GROSS VOLUME			\$583,000
- RANGE OF ANNUAL GROSS VOLUME	\$938,000	to	\$352,000
- MEDIAN ANNUAL GROSS VOLUME			\$529,000
LOWER THIRD - AVERAGE ANNUAL GROSS VOLUME			\$227,000
- RANGE OF ANNUAL GROSS VOLUME	\$347,000	to	\$119,000
-MEDIAN ANNUAL GROSS VOLUME			\$217,000

Chart 1 Fiscal Year Ended September 30, 2022 Explanatory Note:

1. As of September 30, 2022, 45 franchised Navis Pack & Ship commercial centers were in operation. The data in the chart above represents the actual operating results, in the fiscal year ended September 30, 2022, of the 36 commercial centers that were open 12 months or more as of September 30, 2022 (1 commercial center was excluded for this reason), that had open and operating physical locations (6 franchisees were excluded for not having physical locations, since we no longer offer commercial center franchises for businesses of this type), and that operated primarily as commercial centers (2 franchisees were excluded for this reason, since 1 primarily operated an independent custom furniture business and 1 primarily operated an independent full-service moving business). 17 of the 36 commercial centers (47%) achieved or exceeded the stated average annual Gross Volume. Ranges, averages and medians grouped by thirds were as follows: of the 12 commercial centers in the upper third, 2 achieved or exceeded the stated average annual

Gross Volume; of the 12 commercial centers in the middle third, 6 achieved or exceeded the stated average annual Gross Volume; and of the 12 commercial centers in the lower third, 7 achieved or exceeded the stated average annual Gross Volume. In the fiscal year ended September 30, 2022, 3 Navis Pack & Ship commercial centers ceased operations, 0 after being terminated and 3 for other reasons.

Fiscal Year Ended September 30, 2021

The information below is based on the actual Gross Volume in the fiscal year ended September 30, 2021, of the franchised Navis Pack & Ship commercial centers open 12 months or more as of September 30, 2021.

CHART 1

**Annual Gross Volume Ranges, and Average and Median Annual Gross Volumes,
in Fiscal Year Ended September 30, 2021, of franchised Navis Pack & Ship Commercial
Centers Open 12 Months or More as of September 30, 2021**

COMMERCIAL CENTERS IN SAMPLE			37
AVERAGE ANNUAL GROSS VOLUME			\$588,000
% MEETING OR EXCEEDING AVERAGE ANNUAL GROSS VOLUME			46%
RANGE OF ANNUAL GROSS VOLUME	\$2,982,000	to	\$88,000
MEDIAN ANNUAL GROSS VOLUME			\$509,000
RANGES, AVERAGES AND MEDIANS OF ANNUAL GROSS VOLUME GROUPED BY THIRDS:			
UPPER THIRD - AVERAGE ANNUAL GROSS VOLUME			\$1,115,000
- RANGE OF ANNUAL GROSS VOLUME	\$2,982,000	to	\$780,000
- MEDIAN ANNUAL GROSS VOLUME			\$956,000
MIDDLE THIRD - AVERAGE ANNUAL GROSS VOLUME			\$506,000
- RANGE OF ANNUAL GROSS VOLUME	\$760,000	to	\$276,000
- MEDIAN ANNUAL GROSS VOLUME			\$509,000
LOWER THIRD - AVERAGE ANNUAL GROSS VOLUME			\$149,000
- RANGE OF ANNUAL GROSS VOLUME	\$213,000	to	\$88,000
-MEDIAN ANNUAL GROSS VOLUME			\$161,000

Chart 1 Fiscal Year Ended September 30, 2021 Explanatory Note:

1. As of September 30, 2021, 47 franchised Navis Pack & Ship commercial centers were in operation. The data in the chart above represents the actual operating results, in the fiscal year ended September 30, 2021, of the 37 commercial centers that were open 12 months or more as of September 30, 2021 (3 commercial centers were excluded for this reason), that had open and operating physical locations (5 franchisees were excluded for not having physical locations, since we no longer offer commercial center franchises for businesses of this type), and that operated primarily as commercial centers (2 franchisees were excluded for this reason, since 1 primarily operated an independent custom furniture business and 1 primarily operated an independent full-service moving business). 17 of the 37 commercial centers (46%) achieved or exceeded the stated average annual Gross Volume. Ranges, averages and medians grouped by thirds were as follows: of the 12 commercial centers in the upper third, 3 achieved or exceeded the stated average annual Gross Volume; of the 13 commercial centers in the middle third, 7 achieved or exceeded the stated average annual Gross Volume; and of the 12 commercial centers in the lower third, 6 achieved or exceeded the stated average annual Gross Volume. In the fiscal year ended September 30, 2021, 0 Navis Pack & Ship commercial centers ceased operations, 0 after being terminated and 0 for other reasons.

Fiscal Year Ended September 30, 2020

The information below is based on the actual Gross Volume in the fiscal year ended September 30, 2020, of the franchised Navis Pack & Ship commercial centers open 12 months or more as of September 30, 2020.

CHART 1

Annual Gross Volume Ranges, and Average and Median Annual Gross Volumes, in Fiscal Year Ended September 30, 2020, of franchised Navis Pack & Ship Commercial Centers Open 12 Months or More as of September 30, 2020

COMMERCIAL CENTERS IN SAMPLE			35
AVERAGE ANNUAL GROSS VOLUME			\$475,000
% MEETING OR EXCEEDING AVERAGE ANNUAL GROSS VOLUME			46%
RANGE OF ANNUAL GROSS VOLUME	\$1,856,000	to	\$54,000
MEDIAN ANNUAL GROSS VOLUME			\$454,000
RANGES, AVERAGES AND MEDIANS OF ANNUAL GROSS VOLUME GROUPED BY THIRDS:			
UPPER THIRD - AVERAGE ANNUAL GROSS VOLUME			\$905,000
- RANGE OF ANNUAL GROSS VOLUME	\$1,856,000	to	\$613,000
- MEDIAN ANNUAL GROSS VOLUME			\$808,000
MIDDLE THIRD - AVERAGE ANNUAL GROSS VOLUME			\$427,000
- RANGE OF ANNUAL GROSS VOLUME	\$597,000	to	\$257,000
- MEDIAN ANNUAL GROSS VOLUME			\$458,000
LOWER THIRD - AVERAGE ANNUAL GROSS VOLUME			\$129,000
- RANGE OF ANNUAL GROSS VOLUME	\$221,000	to	\$54,000
-MEDIAN ANNUAL GROSS VOLUME			\$130,000

Chart 1 Fiscal Year Ended September 30, 2020 Explanatory Note:

1. As of September 30, 2020, 44 franchised Navis Pack & Ship commercial centers were in operation. The data in the chart above represents the actual operating results, in the fiscal year ended September 30, 2020, of the 35 commercial centers that were open 12 months or more as of September 30, 2020 (0 commercial centers were excluded for this reason), that had open and operating physical locations (7 franchisees were excluded for not having physical locations, since we no longer offer commercial center franchises for businesses of this type), and that operated primarily as commercial centers (2 franchisees were excluded for this reason, since 1 primarily operated an independent custom furniture business and 1 primarily operated an independent full-service moving business). 16 of the 35 commercial centers (46%) achieved or exceeded the stated average annual Gross Volume. Ranges, averages and medians grouped by thirds were as follows: of the 11 commercial centers in the upper third, 2 achieved or exceeded the stated average annual

Gross Volume; of the 12 commercial centers in the middle third, 7 achieved or exceeded the stated average annual Gross Volume; and of the 12 commercial centers in the lower third, 6 achieved or exceeded the stated average annual Gross Volume. In the fiscal year ended September 30, 2020, 8 Navis Pack & Ship commercial centers ceased operations, 1 after being terminated and 7 for other reasons.

Chart 1 General Explanatory Notes:

1. “Gross Volume” includes all sales, billings, charges or revenue of a commercial center, whether collected or not, with no deduction for credit card or other charges. “Gross Volume” does not include sales, use or service taxes collected and paid to appropriate taxing authorities, or Customer refunds and adjustments.
2. These figures are based on data contained in sales reports, and are not affected by the versions of proprietary software applications being used.
3. These figures do not reflect certain material costs of sales, operating expenses, or other costs or expenses that must be deducted from Gross Volume to obtain net income or profit, if any.

Fiscal Year Ended September 30, 2022

The information below is based on the actual Gross Margins in the fiscal year ended September 30, 2022, of the franchised Navis Pack & Ship commercial centers open 12 months or more as of September 30, 2022.

CHART 2

Average Annual Gross Margin and Median Annual Gross Margin, in Fiscal Year Ended September 30, 2022, of franchised Navis Pack & Ship Commercial Centers Open 12 Months or More as of September 30, 2022

<i>Average Annual Gross Margin</i>
63.9%
<i>Median Annual Gross Margin</i>
65.3%

Chart 2 Fiscal Year Ended September 30, 2022 Explanatory Notes:

1. As of September 30, 2022, 45 franchised Navis Pack & Ship commercial centers were in operation. The data in the chart above represents the actual operating results, in the fiscal year ended September 30, 2022, of 36 commercial centers that were open 12 months or more as of September 30, 2022 (1 commercial center was excluded for this reason), that had open and operating physical locations (6 franchisees were excluded for not having physical locations), and that operated primarily as commercial centers (2 franchisees were excluded for this reason, since 1 primarily operated an independent custom furniture business and 1 primarily operated an

independent full-service moving business). The figures in the chart are based on data contained in the ABConnect software application. In the fiscal year ended September 30, 2022, 3 Navis Pack & Ship commercial centers ceased operations, 0 after being terminated and 3 for other reasons.

2. 20 of the 36 commercial centers (56%) achieved or exceeded the stated average annual Gross Margin.

Fiscal Year Ended September 30, 2021

The information below is based on the actual Gross Margins in the fiscal year ended September 30, 2021, of the franchised Navis Pack & Ship commercial centers open 12 months or more as of September 30, 2021.

CHART 2

Average Annual Gross Margin and Median Annual Gross Margin, in Fiscal Year Ended September 30, 2021, of franchised Navis Pack & Ship Commercial Centers Open 12 Months or More as of September 30, 2021

<i>Average Annual Gross Margin</i>
63.5%
<i>Median Annual Gross Margin</i>
63.2%

Chart 2 Fiscal Year Ended September 30, 2021 Explanatory Notes:

1. As of September 30, 2021, 47 franchised Navis Pack & Ship commercial centers were in operation. The data in the chart above represents the actual operating results, in the fiscal year ended September 30, 2021, of 37 commercial centers that were open 12 months or more as of September 30, 2021 (3 commercial centers were excluded for this reason), that had open and operating physical locations (5 franchisees were excluded for not having physical locations), and that operated primarily as commercial centers (2 franchisees were excluded for this reason, since 1 primarily operated an independent custom furniture business and 1 primarily operated an independent full-service moving business). The figures in the chart are based on data contained in the ABConnect software application. In the fiscal year ended September 30, 2021, 0 Navis Pack & Ship commercial centers ceased operations, 0 after being terminated and 0 for other reasons.

2. 19 of the 37 commercial centers (51%) achieved or exceeded the stated average annual Gross Margin.

Fiscal Year Ended September 30, 2020

The information below is based on the actual Gross Margins in the fiscal year ended September 30, 2020, of the franchised Navis Pack & Ship commercial centers open 12 months or more as of September 30, 2020.

CHART 2

Average Annual Gross Margin and Median Annual Gross Margin, in Fiscal Year Ended September 30, 2020, of franchised Navis Pack & Ship Commercial Centers Open 12 Months or More as of September 30, 2020

<i>Average Annual Gross Margin</i>
61%
<i>Median Annual Gross Margin</i>
64.7%

Chart 2 Fiscal Year Ended September 30, 2020 Explanatory Note:

1. As of September 30, 2020, 44 franchised Navis Pack & Ship commercial centers were in operation. The data in the chart above represents the actual operating results, in the fiscal year ended September 30, 2020, of 35 commercial centers that were open 12 months or more as of September 30, 2020 (0 commercial centers were excluded for this reason), that had open and operating physical locations (7 franchisees were excluded for not having physical locations), and that operated primarily as commercial centers (2 commercial centers were excluded for this reason). The figures in the chart are based on data contained in the ABConnect software application. In the fiscal year ended September 30, 2020, 8 Navis Pack & Ship commercial centers ceased operations, 1 after being terminated and 7 for other reasons.
2. 18 of the 35 commercial centers (51%) achieved or exceeded the stated average annual Gross Margin.

Chart 2 General Explanatory Notes:

1. “Gross Margin” is Gross Volume, less the cost of freight, packaging materials, and freight insurance.
2. Although territory size may have an effect on Gross Margin, you should not assume that by merely purchasing a larger territory, your Gross Margin will be larger than otherwise.
3. The figures in the chart take into account only the cost of freight, packaging materials, and freight insurance, and do not take into account many of the other material costs involved in acquiring or operating a Navis Pack & Ship commercial center, including costs for: (a) marketing materials or other assorted merchandise you may use in your commercial center; (b) rent, utilities and insurance premiums; (c) taxes you may be required to pay to governmental authorities,

including income taxes, property taxes, and other assorted taxes; (d) salaries paid to management personnel; or (e) other expenses associated with your commercial center, but which may not be listed here. The figures in the chart also do not take into account royalty fees or marketing fees paid to us. Gross Volume, Gross Margin, costs (including wages), net profit or profit (if any), and other figures will vary substantially from location to location, and from franchise to franchise (depending in part on how long a commercial center has been in business).

Chart 1 and Chart 2 General Explanatory Notes:

An “average” is calculated by adding the numerical values of all data points in a set, and dividing by the number of data points in the set. A “median” means the numerical value of the data point in the middle of all data points in a set. If a set contains an even number of data points, the median is calculated by identifying the 2 data points in the middle of the set, adding their numerical values, and dividing by 2.

We have prepared the information above based on sales reports submitted by the franchised commercial centers. Those reports are not audited, and we have not undertaken to independently verify the accuracy of the reports. We know of no instances in which, and have no reason to believe that, any franchised commercial centers overstated their Gross Volume or Gross Margin in any of the reports.

There are no material differences between the operation of, or the products or services offered by, the centers whose results are reported above, and the centers we currently franchise.

We will make written substantiation of the information above available to you on reasonable request, subject possibly to a requirement to sign a confidentiality agreement.

This analysis is intended to be used as a reference when you conduct due diligence before signing our franchise agreement. We recommend that you make your own independent investigation to determine whether or not a franchised business may be profitable, and that you consult with legal, accounting and other business advisors before signing our franchise agreement.

There are no financial performance representations made for our existing Handle With Care Packaging Store commercial centers. This is because the existing commercial centers differ from new commercial centers being franchised. The existing commercial centers were added to our system when we acquired The Packaging Store, Inc., have different franchise agreements from our standard franchise agreement, do not use our ABConnect proprietary software, have a different marketing fee structure, and have locations that may not conform to our current real estate criteria.

Some commercial centers have sold this amount. Your individual results may differ. There is no assurance that you'll sell as much.

Other than the preceding financial performance representation, we do not make any financial performance representations. 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 Ms. Mary Ann Canup, Senior Vice President of Franchise

Compliance, 7580 Metropolitan Drive, Suite 200, San Diego, CA 92108, 800-456-1525, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION
NAVIS PACK & SHIP COMMERCIAL CENTER OUTLETS

TABLE NO. 1

Systemwide Outlet Summary for Years 2020 to 2022

Outlet Type	Year	Outlets At Start Of Year	Outlets At End Of Year	Net Change
Franchised	2020	52	44	-8
	2021	44	47	+3
	2022	47	45	-2
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	52	44	-8
	2021	44	47	+3
	2022	47	45	-2

TABLE NO. 2

NAVIS PACK & SHIP OUTLETS

Transfers of Outlets From Franchisees to New Owners (Other Than Franchisor or an Affiliate) For Years 2020 to 2022

State	Year	Number Of Transfers
ID	2020	0
	2021	2
	2022	0
IL	2020	1
	2021	0
	2022	0
OR	2020	1
	2021	0
	2022	0
PA	2020	0
	2021	0
	2022	1
Total	2020	2
	2021	2
	2022	1

TABLE NO. 3**NAVIS PACK & SHIP OUTLETS****Status of Franchised Outlets For Years 2020 to 2022**

State	Year	Outlets At Start Of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations For Other Reasons	Outlets At End Of Year
AZ	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
CA	2020	9	0	0	0	0	1	8
	2021	8	1	0	0	0	0	9
	2022	9	0	0	0	0	0	9
Canada	2020	4	0	0	0	0	1	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
CO	2020	4	0	1	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
CT	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
FL	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	1	2
GA	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
ID	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
IL	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
IN	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
IA	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
LA	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

State	Year	Outlets At Start Of Year	Outlets Opened	Termina- tions	Non- Renewals	Reacquired By Franchisor	Ceased Operations For Other Reasons	Outlets At End Of Year
MA	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MD	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MI	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
MN	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NC	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	1	2
NY	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NV	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
OH	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
OR	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
PA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
SC	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TN	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TX	2020	4	0	0	0	0	1	3
	2021	3	0	0	0	0	0	3
	2022	3	1	0	0	0	0	4

State	Year	Outlets At Start Of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations For Other Reasons	Outlets At End Of Year
UT	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
WA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Totals	2020	52	0	1	0	0	7	44
	2021	44	3	0	0	0	0	47
	2022	47	1	0	0	0	3	45

TABLE NO. 4

NAVIS PACK & SHIP OUTLETS

Status of Company-Owned Outlets For Years 2020 to 2022

State	Year	Outlets At Start Of Year	Outlets Opened	Outlets Re-Acquired From Franchisees	Outlets Closed	Outlets Sold To Franchisees	Outlets At End Of Year
All States	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Total	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

TABLE NO. 5

NAVIS PACK & SHIP OUTLETS

Projected Openings in Fiscal Year Ended September 30, 2023

State	Franchise Agreements Signed But Outlet Not Opened as of September 30, 2022	Projected New Franchised Outlets in Fiscal Year Ended September 30, 2023	Projected New Company-Owned Outlets in Fiscal Year Ended September 30, 2023
CA	0	2	0
FL	2	2	0
GA	0	1	0
IA	0	1	0
IL	0	1	0
IN	0	1	0
KY	0	1	0

State	Franchise Agreements Signed But Outlet Not Opened as of September 30, 2022	Projected New Franchised Outlets in Fiscal Year Ended September 30, 2023	Projected New Company- Owned Outlets in Fiscal Year Ended September 30, 2023
LA	0	1	0
NC	0	1	0
NJ	0	1	0
NV	0	1	0
NY	0	1	0
OH	0	1	0
OK	0	1	0
SC	0	1	0
TN	0	1	0
TX	0	2	0
VA	0	1	0
Totals	2	21	0

HANDLE WITH CARE PACKAGING STORE OUTLETS

TABLE NO. 1

Systemwide Outlet Summary for Years 2020 to 2022

Outlet Type	Year	Outlets At Start Of Year	Outlets At End Of Year	Net Change
Franchised	2020	14	12	-2
	2021	12	12	0
	2022	12	11	-1
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	14	12	-2
	2021	12	12	0
	2022	12	11	-1

TABLE NO. 2**HANDLE WITH CARE PACKAGING STORE OUTLETS****Transfers of Outlets From Franchisees to New Owners
(Other than Franchisor or an Affiliate) For Years 2020 to 2022**

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

TABLE NO. 3**HANDLE WITH CARE PACKAGING STORE OUTLETS****Status of Franchised Outlets For Years 2020 to 2022**

State	Year	Outlets At Start Of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations For Other Reasons	Outlets At End Of Year
AK	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
CA	2020	6	0	0	0	0	1	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
CT	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
FL	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MI	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
ND	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

State	Year	Outlets At Start Of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations For Other Reasons	Outlets At End Of Year
OR	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TX	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Totals	2020	14	0	0	0	0	2	12
	2021	12	0	0	0	0	0	12
	2022	12	0	0	0	0	1	11

TABLE NO. 4

HANDLE WITH CARE PACKAGING STORE OUTLETS

Status of Company-Owned Outlets For Years 2020 to 2022

State	Year	Outlets At Start Of Year	Outlets Opened	Outlets Re-Acquired From Franchisees	Outlets Closed	Outlets Sold To Franchisees	Outlets At End Of Year
All states	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Total	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

TABLE NO. 5

HANDLE WITH CARE PACKAGING STORE OUTLETS

Projected Openings in Fiscal Year Ended September 30, 2023

State	Franchise Agreements Signed But Outlet Not Opened As Of September 30, 2022	Projected New Franchised Outlets in Fiscal Year Ended September 30, 2023	Projected New Company-Owned Outlets in Fiscal Year Ended September 30, 2023
All States	0	0	0
Totals	0	0	0

All historical numbers in this Item 20 are for our fiscal years ended September 30, 2020, 2021 and 2022.

See our Retail Center Franchise Disclosure Document for information on our retail centers, including our franchised Handle With Care Packaging Store retail centers.

Exhibit C is a list of the names, outlet business addresses and outlet business telephone numbers of our Navis Pack & Ship franchisees and our Handle With Care Packaging Store franchisees as of September 30, 2022.

Exhibit D is a list of the names, cities and states and current business telephone numbers (or if unknown, last known home telephone numbers) of franchisees, during our most recent fiscal year: who had franchises terminated, not renewed, or reacquired by us (0); who otherwise voluntarily or involuntarily ceased operations for other reasons (4); or who transferred their franchises (1). Exhibit D also lists the names, cities and states and current business telephone numbers (or if unknown, last known home telephone numbers) of franchisees or who had not communicated with us within 10 weeks of the issuance date of this disclosure document (0).

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

During our past 3 fiscal years, none of our franchisees have signed provisions restricting their ability to speak openly about their experience with us.

We sponsor a franchisee advisory council, but the members are elected by franchisees (see Item 11 for more information). See Exhibit E for contact information on the franchisee advisory council.

Item 21

FINANCIAL STATEMENTS

Exhibit F includes our consolidated audited balance sheets as of September 30, 2022 and 2021; our consolidated statements of income, shareholders' equity, and cash flows for the years ended September 30, 2022, 2021 and 2020; and notes to the consolidated financial statements. Exhibit F also includes our unaudited financial statements as of December 31, 2022.

Our fiscal year end is September 30.

Item 22

CONTRACTS

Exhibit B includes the franchise agreement and the following attachments:

- Attachment 1 – Initial Franchise Fee Deposit Receipt
- Attachment 2 – Continuing Personal Guarantee
- Attachment 3 – Designation of Brand, Premises and Territory
- Attachment 4 – Transfer of Service Consent and Authorization
- Attachment 5 – Collateral Assignment of Lease
- Attachment 6 – ABConnect License Agreement
- Attachment 7 – Internet Policies & Procedures Agreement
- Attachment 8 – Electronic Funds Transfer Authorization
- Attachment 9 – Site Selection Acknowledgment Agreement
- Attachment 10 – Authorization for Background Check and Waiver of Liability and
Authorization for Release of Information
- Attachment 11 – Non-Competition and Non-Solicitation Agreement
- Attachment 12 – International Ocean Program Sales Agency Agreement
- Attachment 13 – SBA Addendum to Franchise Agreement

Exhibit G includes our form of confidentiality and non-competition agreement for your employees and independent contractors.

Exhibit H includes our current form of general release.

Item 23

RECEIPTS

Exhibit J includes detachable documents acknowledging your receipt of this disclosure document.

CALIFORNIA STATE ADDENDUM TO DISCLOSURE DOCUMENT

Item 17 of this disclosure document is modified to include the following paragraphs:

(1) The California Business and Professions Code Sections 20000 through 20043 provide certain rights to you, including (i) limitations on our ability to terminate a franchise except for good cause; (ii) restrictions on our ability to deny renewal of franchise; (iii) circumstances under which we may be required to purchase certain inventory of franchisee when a franchise is terminated or not renewed in violation of the statute; and (iv) provisions relating to arbitration. To the extent that the provisions of the franchise agreement are inconsistent with the terms of the Act, the terms of the Act will control in California.

(2) Section 3115 of the California Corporations Code requires us to give you a disclosure document, in a form and containing all information the Commissioner by rule or order requires, before solicitation of a proposed material modification of an existing franchise.

(3) The franchise agreement requires binding arbitration, except for matters involving trademarks, real estate or injunctive relief, at a location of the American Arbitration Association closest to our corporate offices, with the costs being borne equally by the parties. You are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281 and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the state of California.

(4) The covenant not to compete extends beyond the termination of the franchise. This provision may not be enforceable under California law.

(5) You must sign a general release if you renew or transfer your franchise, or to receive a refund of the initial franchise fee under the circumstances outlined in Item 5. California Corporations Code 31512 voids a waiver of your rights under the franchise investment law (California Corporations Code 31000 through 31516). California Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

(6) 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.

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

(8) Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner.

(9) The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

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

HAWAII STATE ADDENDUM TO DISCLOSURE DOCUMENT

HAWAII DISCLAIMER

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, 335 Merchant Street, Honolulu, Hawaii 96813.

- (1) Item 1 of this disclosure document is modified to include the following paragraph:

The name and address of the Franchisor's agent in this state authorized to receive service of process is: Commissioner of Securities, Department of Commerce and Consumer Affairs, 335 Merchant Street, Honolulu, Hawaii 96813.

- (2) Item 17 of this disclosure document is modified to include the following paragraph under the Summary column of part (i):

Under Hawaii law, on termination or refusal to renew the franchise, you are entitled to be compensated for the fair market value, at the time of the termination or expiration of the franchise, of our inventory, supplies, equipment and furnishings purchased from us or a supplier designated by us; provided that personalized materials which have no value to us need not be compensated for. If we refuse to renew the franchise for the purpose of converting your commercial center to one owned and operated by us, we, in addition to the remedies described above, are required to compensate you for the loss of goodwill. We may deduct from such

compensation reasonable costs incurred in removing, transporting and disposing of your inventory, supplies, equipment and furnishings, and may offset from such compensation any moneys due us.

- (3) Item 20 of this disclosure document is modified to include the following paragraphs:

Registrations or exemptions are effective for these franchises in the states of California, Hawaii, Illinois, Indiana, Minnesota, New York, North Dakota, Rhode Island, Virginia and Washington.

Proposed registrations or filings for these franchises are or will be shortly on file in Maryland.

No states have refused, by order or otherwise, to register these franchises.

No states have revoked or suspended the right to offer these franchises.

There is no state in which a proposed registration of these franchises has been withdrawn.

- (4) The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

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

ILLINOIS STATE ADDENDUM TO DISCLOSURE DOCUMENT

Item 17 of this disclosure document is supplemented by the addition of the following paragraphs at the end of the chart:

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 and 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 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.

The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

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

MARYLAND STATE ADDENDUM TO DISCLOSURE DOCUMENT

Item 17 of this disclosure document is modified to include the following paragraphs:

The general release required as a condition of transfer or renewal, or to receive a refund of the initial franchise fee under the circumstances outlined in Item 5, does not apply to claims that apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Provisions allowing termination on bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. § 101 et seq.).

Claims under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

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

The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

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

MINNESOTA STATE ADDENDUM TO DISCLOSURE DOCUMENT

- (1) Item 13 is amended to add the following:
 1. We protect your right to use the Marks or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.
- (2) Item 17, Summary columns for (c) and (m) are amended to add the following:
 2. Any release signed as a condition of renewal or transfer or to receive a refund of the initial franchise fee under the circumstances outlined in Item 5, will not apply to any claims you may have under the Minnesota Franchises Act, Minnesota Statutes, Chapter 80C.
- (3) Item 17 of this disclosure document is modified to include the following paragraphs at the end of the chart:
 3. With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Chapter 80C.14, subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the franchise agreement.
 4. Minn. Stat. Chapter 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or franchise agreement can abrogate or reduce any of your rights as provided for in Minnesota Franchises Act, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.
- (4) The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

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

NEW YORK STATE ADDENDUM TO DISCLOSURE DOCUMENT

- (1) Item 3 of this disclosure document is modified to include the following paragraphs:

Neither we nor any of the individuals identified in Item 2 above has any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) filed against us alleging a violation of any franchise or securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Neither we nor any of the individuals identified in Item 2 above has been convicted of a felony or pleaded nolo contendere to a felony charge or, in the 10-year period immediately preceding the application for registration, has been convicted of a misdemeanor or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint, or other legal proceeding if such, misdemeanor conviction or charge or civil action, complaint or other legal proceeding involving violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair deceptive practices, misappropriation of property or comparable allegations.

Neither we nor any of the individuals identified in Item 2 above is the subject of any injunctive or restrictive order or decree relating to franchises or business activities or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency.

- (2) Item 4 of this disclosure document is modified to include the following paragraph:

During the 10-year period immediately preceding the date of this disclosure document, neither we, nor any of our predecessors, nor any person identified in Item 2 above, has been adjudged bankrupt or reorganized due to insolvency or been a principal officer of any company or a general partner in any partnership that was adjudged bankrupt or reorganized due to insolvency during or within 1 year after the period that such officer of ours held such position in such company or partnership, and no such bankruptcy or reorganization proceeding has been commenced.

- (3) Item 17 of this disclosure document, under the summary column of parts (c) and (m) are modified to include the following language:

The general release required as a condition of transfer or renewal is required in New York, but all rights you enjoy and any causes of action in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued under Article 33 will 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.

- (4) Item 17 of this disclosure document, under the summary column of part (d), is modified to include the following language:

You may terminate the franchise on any grounds available under state law.

- (5) Item 17 of this disclosure document, under the summary column of part (j), is modified to include the following language:

However, no transfer or assignment will be made except to a person who, in our good faith judgment, is willing and able to assume our obligations under the franchise agreement.

- (6) Item 17 of this disclosure document, under the summary column of part (w), is modified to include the following language:

The foregoing choice of law should not be considered a waiver of any right conferred on us or you by Article 13 of the General Business Law of New York.

- (7) The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

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

NORTH DAKOTA STATE ADDENDUM TO DISCLOSURE DOCUMENT

- (1) Item 6 is amended to delete the information in the Remarks column for “Attorneys' fees and costs” and to replace this information with the following:

You must pay our attorneys' fees and costs only if we prevail in any arbitration or litigation between you and us.

- (2) Item 17, Summary column for (c) is amended to add the following:

Any release signed as a condition of renewal or refund of your initial franchise fee will not apply to any claims you may have under the North Dakota Franchise Investment Law.

- (3) Item 17, Summary column for (m) is amended to add the following:

Any release signed as a condition of transfer will not apply to any claims you may have under the North Dakota Franchise Investment Law.

- (4) Item 17, Summary column for (r) is amended to add the following:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

- (6) Item 17, Summary column for (u) is deleted and replaced with the following:

All disputes must be arbitrated either in North Dakota or in a mutually agreed location.

- (7) Item 17, Summary column for (v) is deleted and replaced with the following:

All litigation must be in North Dakota or in a mutually agreed location.

- (8) Item 17, Summary column for (w) is deleted and replaced with add the following:

North Dakota law applies.

- (9) If the North Dakota Franchise Investment Law applies, we are prohibited from requiring you to waive trial by jury for any claims arising under the North Dakota Franchise Investment Law.

- (10) The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

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

RHODE ISLAND STATE ADDENDUM TO DISCLOSURE DOCUMENT

- (1) Item 17, Summary columns for (u),(v) and (w) are amended to add the following:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

- (2) The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

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

VIRGINIA STATE ADDENDUM TO THE DISCLOSURE DOCUMENT

- (1) Item 17(h) is amended to include the following paragraph:

Under Section 13.1-565 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 do 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.

- (2) The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

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

WASHINGTON STATE ADDENDUM TO DISCLOSURE DOCUMENT

- (1) Item 3 of this disclosure document is modified to include the following disclosure:

Annex Brands, Inc. Assurance of Discontinuance, Matter No. 19-2-26209-5 SEA, State of Washington, King County Superior Court. On October 7, 2019, we entered into an Assurance of Discontinuance (“AOD”) with the State of Washington Office of Attorney General (“OAG”). The OAG had investigated us, as it is investigating all franchisors with State of Washington registrations, regarding the inclusion by franchisors of no-poaching provisions in their franchise agreements and the enforcement by franchisors of those provisions. No-poaching provisions in franchise agreements restrict franchisees from soliciting or hiring workers from the franchisor or other franchisees. The OAG alleges that no-poaching provisions are in restraint of trade and violate the State of Washington Consumer Protection Act. Before the OAG investigated us, we had voluntarily removed no-poaching provisions from our franchise agreements, and we had not enforced those provisions. Nevertheless, to avoid protracted and expensive litigation, and while expressly denying any violation of law, we entered into the AOD, which required us to: (a) refrain from including no-poaching provisions in future franchise agreements nationwide; (b) refrain from enforcing no-poaching provisions nationwide; (c) notify our franchisees of the AOD; (d) seek to amend all then-existing franchise agreements in the State of Washington to remove any no-poaching provisions; and (e) remove no-poaching provisions in then-existing franchise agreements nationwide as they are renewed or renegotiated. We complied with, and are complying with, the AOD.

- (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 franchise, 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 legal 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.

(9) The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

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

**STATE ADDENDUM TO DISCLOSURE DOCUMENT FOR INDIANA, MICHIGAN,
SOUTH DAKOTA, AND WISCONSIN**

The franchise agreement and any document signed in connection with the franchise are supplemented with the following language:

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

EXHIBIT A

AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for enforcing franchise disclosure/registration laws, and state agencies serving as our agents for service of process if we are registered under the franchise disclosure/registration laws of their states.

In states and territories not listed, we do not have agents for service of process under franchise disclosure/registration laws, but we may have agents for service of process for other purposes.

State	State Agency	Agent for Service of Process
CALIFORNIA	Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 (866) 275-2677 71 Stevenson Street, Suite 2100 San Francisco, CA 94105 (415) 972-8577	Commissioner of the Department of Financial Protection and Innovation
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce

EXHIBIT A

AGENCIES/AGENTS FOR SERVICE OF PROCESS

State	State Agency	Agent for Service of Process
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10005 (212)-416-8222	New York Secretary of State New York Department of State 99 Washington Avenue Albany, NY 12231 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, Fourteenth Floor, Dept 414 Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Department of Labor and Regulation Division of Insurance Securities Regulation 124 South Euclid Suite 104 Pierre, SD 57501-3185 (605) 773-3563	Director of the Division of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033	Director of Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT B
COMMERCIAL LOGISTICS CENTER
FRANCHISE AGREEMENT AND ATTACHMENTS

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ATTACHMENTS

- 1 – Initial Franchise Fee Deposit Receipt
- 2 – Continuing Personal Guarantee
- 3 – Designation of Brand, Premises and Territory
- 4 – Transfer of Service Consent and Authorization
- 5 – Collateral Assignment of Lease
- 6 – ABConnect License Agreement
- 7 – Internet Policies & Procedures Agreement
- 8 – Electronic Funds Transfer Authorization
- 9 – Site Selection Acknowledgment Agreement
- 10 – Authorization for Background Check and Waiver of Liability and Authorization for Release of Information
- 11 – Non-Competition and Non-Solicitation Agreement
- 12 – International Ocean Program Sales Agency Agreement
- 13 – SBA Addendum to Franchise Agreement

COMMERCIAL LOGISTICS CENTER FRANCHISE AGREEMENT

Name of Franchisee: _____

Street Address: _____

Telephone Number: _____

Effective Date of Agreement: _____

This Agreement is made and entered into by and between Annex Brands, Inc., a California corporation with its principal office located at 7580 Metropolitan Drive, Suite 200, San Diego, California 92108 (“we,” “us” or “our”), and the person or entity set forth above (individually and collectively, “you” or “your”) at San Diego, California, as of the Effective Date.

WHEREAS, we have developed a System for establishing and operating Centers, and own certain Marks and Confidential Information that we license to others for their use in connection with establishing and operating Centers.

WHEREAS, you have applied for a Franchise to establish and operate the Center with access to and the use of our System, Marks and Confidential Information, and we are willing to grant a Franchise to you on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the following understandings and agreements, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, we and you agree as follows:

1. **INTRODUCTION.**

This Agreement is for the operation of a single Center.

When we refer to a state law, those provision are only binding on you and us if the jurisdictional requirements of that state law are independently met, whether because the offer or sale of the Franchise occurred in the state, or you are a resident of the state, or the Center will be located and operated in the state, or otherwise.

2. **DEFINITIONS.**

2.1 Capitalized terms used in this Agreement are defined in this Section 2, or if any capitalized terms used in this Agreement are not defined in this Section 2, they are defined in the Section of this Agreement where they first appear. Other terms used in this Agreement, which generally are not capitalized (such as “including”), also are defined in this Section 2.

A. **“ABConnect Internet Portal System”** – means the Internet portal technology system used in operating a Center which meets specifications periodically established by us, including specifications regarding hardware, software, and related support services.

B. **“Affiliate”** – means any individual or entity which directly or indirectly controls, is controlled by or is under common control with another individual or

entity. As to you, it includes any owner of any interest in you, any employee or agent of you, or independent contractor performing functions for, or on behalf of, you, and any entity controlled by any of the foregoing. As to us, it includes any entity directly or indirectly owned or controlled by any of our owners that sells products to or otherwise transacts business with you pursuant to this Agreement.

C. **“Affiliated Business”** – means a business other than the Center which offers various products and services, some of which may be competitive to yours, and which is owned or licensed by us or one of our Affiliates, including a National Logistics Services® (“NLS”) business, whether operated under the Brand or another brand.

D. **“Agreement”** – means this Franchise Agreement and its Attachments entered between you and us as of the Effective Date.

E. **“attorneys’ fees”** – means and includes, without limitation, legal fees, whether incurred in preparation of the filing of any written demand or claim, action, hearing, arbitration, or other proceeding to enforce the obligations of this Agreement, or during any such proceeding, plus all costs incurred in connection therewith.

F. **“Brands”** – means Navis Pack & Ship®, Handle with Care Packaging Store®, Pak Mail Freight™, or any other commercial logistics center-related brands that we may develop or acquire. The brand under which the Center will operate is designated on Attachment 3, and under this Agreement is called “the Brand.”

G. **“Business Entity”** – means and includes every form of legal entity that is not an individual, including a corporation, partnership, joint venture, limited liability company, limited partnership, or any other form of legal entity recognized in any jurisdiction.

H. **“Business Judgment”** – means that we may make decisions, and take or refrain from taking any action, with the goals of keeping the Marks and the System competitive, and establishing Brand dominance, taking into account the needs for protection of the Brand, the Marks, the System and other factors we consider to be appropriate, in any manner that we consider to be appropriate, subject only to our obligation not to exercise our judgment arbitrarily.

I. **“Centers”** – means commercial logistics centers established and operated under any of the Brands, one or more of the Marks and the System, which: offer custom packaging and shipping of items that are Difficult to Ship; typically conduct business from physical warehouses in light industrial areas; and typically focus on the business-to-business market segment. Centers feature distinctive formats and methods of doing business, including color schemes, signs, equipment, layouts, systems, methods, procedures, designs, technology, sales and marketing business models, and marketing and advertising standards and formats. In this Agreement, each such commercial logistics center is called “a Center,” collectively such commercial logistics centers are called “Centers,” and the particular commercial logistics center authorized by this Agreement is called “the Center.”

J. **“CFB Program”** – means a program under which we provide centralized freight billing for Centers in order to receive more favorable terms from

contracted freight carriers. Currently, Kuehne + Nagel Inc. is the authorized provider of the program.

K. **“CFB Program Deposit”** – means the deposit we collect from you before or at initial training to participate in the CFB Program. Currently, for a new Center, the deposit is \$750. If you acquire an existing Center or convert an existing business to a Center, currently, the deposit is the greater of \$750 or 3 times the weekly average freight billing (based on the previous 52 weekly freight billing periods) (typically ranges from \$750 to \$2,750). We may change the CFB Program Deposit after at least 15 days’ notice to you .

L. **“CFB Program Processing Fee”** – means the fee per freight shipment processed and billed by us as part of the CFB Program.

M. **“Confidential Information”** means and includes all information that is not generally available to the public or that is not otherwise circulated in the marketplace, relating to the System or the operation of a Center, including all current and future: (i) Manuals, training, techniques, processes, policies, procedures, technology, software, and systems regarding the development, marketing, operation, and franchising of a Center; (ii) specifications and information about Products and Services; (iii) data, information and lists related to past, present, and future Customers and suppliers of the Center, including statistical or financial information; and (iv) Trade Secrets.

N. **“Customary Representations, Warranties and Agreements”** – Includes commitments generally made by a transferor in connection with a transfer of a business or related assets, including: representations as to ownership, condition and title to stock and/or assets, liens and encumbrances relating to the stock or assets, validity of contracts, and liabilities, contingent or otherwise, relating to the business, assets, or entity to be acquired; full indemnification obligations and non-competition covenants; the delivery at closing of instruments transferring good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us in our Business Judgment), demonstrating that all sales, transfer or similar taxes are to be paid; and the transfer at closing of all licenses and permits which may be assigned or transferred.

O. **“Customer”** means an individual or Business Entity for whom a service, quote, job, or transaction is provided whose origin is based on the location at which items are picked up by Center personnel and/or a third-party carrier.

P. **“Design Standards”** – means and includes any standards, specifications and other requirements that we furnish to you in connection with the design, decoration, equipment, furniture, fixtures, layout, signs, graphics, marketing and advertising materials, and other items for the Center.

Q. **“Designated Equipment”** – means equipment meeting our requirements that you must obtain and use in the operation of the Center.

R. **“Difficult to Ship”** – applies to fragile, large, awkward and/or valuable items for which shipping solutions are not often readily available, such as art, antiques, computers, electronics, machinery, musical instruments and office equipment.

S. **“Escrow Agent”** – means a third-party escrow company, title company, or attorney engaged to administer aspects of the transfer process, including the exchange of monies, execution of transfer documents, and other related items.

T. **“FAC”** – means the franchisee advisory council that is or which may be selected in accordance with this Agreement and which may be asked to periodically provide Input as provided in this Agreement.

U. **“Fair Market Value”** – means a price determined by the average of 2 independent appraisals obtained by us (at your expense). All goodwill derived by your access to, and use of our System, Marks and Confidential Information in the operation of the Center, and other intangible assets, will be excluded from the determination of the price.

V. **“Facilitation Services”** – means the advice and consultation that we provide to you in our Business Judgment in connection with the build out of your Premises in compliance with applicable Design Standards.

W. **“Franchise”** – means the license and right we grant to you to operate the Center at the Premises using the System, Marks and Confidential Information under the terms of this Agreement.

X. **“Franchisor Entities”** – means us, and each of our past, present or future officers, directors, shareholders, members, partners, parents, subsidiaries, Affiliates, predecessors, successors, assigns, agents, employees, attorneys or accountants, in their corporate and individual capacities; FAC; Marketing Fund; regional licensees; and each and all persons or companies acting through in concert with us or any of the foregoing on our behalf.

Y. **“Franchisor Customer Referrals”** – means business accounts, national accounts, work orders for Products and Services and other fulfillment business that we may periodically refer to you if you are in Good Standing.

Z. **“General Release”** – means a general release of any and all claims, liabilities or obligations, of any nature whatsoever, however arising, known or unknown, whether against us or any or all of the Franchisor Entities, and whether by you, any owner of you (if you are or become a Business Entity) or any Affiliate of any of the foregoing and existing as of or arising before the date of any such release, in the form prescribed by us at the time such release is to be delivered.

AA. **“Good Standing”** – You are in Good Standing if you and each of your owners and Affiliates are not in default of any Obligation to us and/or any of the Franchisor Entities. You are not in Good Standing if you have been in default of any Obligations and such defaults are incurable by nature or part of a series of repeated defaults as defined in this Agreement or if we find, in the exercise of our Business Judgment, that you have not maximized market penetration in creating Brand dominance in the Territory.

BB. **“Gross Volume”** – means and includes all sales, billings, charges or revenue that are, or could be, received or earned by you or any Affiliate, whether collected or not, with no deduction for credit card or other charges, at, by or in connection with the Center, relating to the kinds of goods or services available now or in the future through a Center or distributed in association with the Marks or the System, including local

and long distance moving services; and also including: (i) any relating to the operation of any Similar Business; or (ii) any with respect to any co-branding activities; provided, however, that Gross Volume does not include sales, use or service taxes collected and paid to appropriate taxing authorities or Customer refunds and adjustments. We reserve the right periodically, in our Business Judgment, to add additional exclusions to the list above, as new programs, products or services are established, or as changes to existing programs, products or services are established, as specified by us in the Manuals, in writing or otherwise.

CC. **“Immediate Family Member”** – means, with respect to any individual, that individual’s spouse or domestic partner, and whether through blood, adoption, marriage to a biological parent, de facto family arrangement or operation of law, that individual’s and his, her or their spouse’s or domestic partner’s parents, grandparents, siblings, children, grandchildren, aunts, uncles, nieces, nephews, and guardians.

DD. **“including”** - means “including, among other things,” “including, among others,” “including, but not limited to,” “including, for example,” and “including, without limitation.”)

EE. **“Input”** – means advice and suggestions regarding specified matters that we may periodically request or receive, or votes or other collective action by franchisees. We retain the ultimate decision-making authority and responsibility for all matters for which Input is sought or received from the FAC or any other franchisee group. Input is not binding on us unless we agree in writing. Unless specified by us in this Agreement, in the Manuals, or in writing or otherwise, we do not need approval or consent from the FAC or any franchisee group on any matter on which Input may be or is sought or received.

FF. **“Intellectual Property”** – means and includes, regardless of the form or medium involved, all: (i) Brands; (ii) Confidential Information; (iii) the Manuals; (iv) Marks; (v) Trade Secrets; (vi) Trade Dress; (vii) ABConnect Internet Portal Technology, including data and information processed or stored thereby; (viii) domain names and uniform resource locators (URLs) using the Marks or relating to the Centers; (ix) Customer and supplier information and relationships; and (x) any other proprietary or copyrightable information (whether or not so marked), and any other directives, information, materials or policies that we periodically develop, acquire, issue, license, or use in connection with the System.

GG. **“Manuals”** – means the directives regarding standards, specifications policies, procedures, processes, systems, techniques, technology, software, training, information, data and know-how regarding the development, establishment, operation and marketing of the Center, as we may periodically prescribe, change, modify, update or eliminate in our Business Judgment and publish to you in any media (including electronic), in writing or otherwise.

HH. **“Marketing Fund”** – means the system-wide advertising, publicity and marketing fund established under Subsection 12.1 of this Agreement to promote Centers, the Brand and the Marks.

II. **“Marks”** – means the trademarks, service marks, trade names, logos, other commercial brands, symbols or identifiers, and Trade Dress owned by or licensed to us and periodically designated by us, to identify the products or services offered by: a Center, including Navis Pack & Ship, Handle With Care Packaging Store, Pak Mail Freight, ABConnect, National Logistics Services, NLS, or any other commercial logistics center-related Marks that we may develop or acquire; or a Retail Center, including PostalAnnex+®, PostalAnnex®, Pack & Ship®, Pak Mail®, AIM Mail®, AIM Mail Centers®, Parcel Plus®, Handle With Care Packaging Store®, Sunshine Pack & Ship®, or any other Retail Center-related Marks that we may develop or acquire. Under this Agreement, you are authorized to use only the Marks associated with the Brand designated on Attachment 3.

JJ. **“National Convention Participation Deposit”** – means the sum of \$25 per week collected by us on the second day of each week, by automatic draft from your designated operating account; provided, that the amount, frequency, date and method of collection are subject to change in our Business Judgment, after at least 15 days’ notice to you.

KK. **“National Logistics Services” or “NLS”** – means our operating department that (i) primarily markets to national accounts and strategic supplier partners, (ii) provides centralized billing and logistics coordination services, (iii) offers services nationally to fulfill requests involving services to be performed outside of our commercial franchisees’ territories, and (iv) typically subcontracts with nearby franchisees, or with 3rd party agents, to fulfill such requests.

LL. **“Numbers”** – means the telephone and fax numbers, classified or other telephone and fax directory listings, email addresses, domain names, Internet addresses or websites, social media platforms, online directory listings, other networking platforms, other comparable electronic identities, or other communications services links, and any related directory listings, web pages and advertising/marketing used in association with the Marks or in connection with the operation of the Center.

MM. **“obligations”** – means the obligations of you and each of your owners and Affiliates to us or any of the Franchisor Entities, whether arising under this Agreement or any other agreement, the Manuals or other System requirements.

NN. **“our prior written consent”** - means consent that we give based on then-current circumstances, but that may be withdrawn by us, if we later determine in our Business Judgment that circumstances have changed, effective upon giving you 30 days' prior written notice of withdrawal.

OO. **“Permanent Disability”** – means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you or an owner of a controlling interest in you or the Franchise from managing and/or supervising the Center as required under Subsection 11.5 of this Agreement for a period of 90 days from the onset of such disability, impairment or condition.

PP. **“Post-Termination Provisions”** – means those provisions that survive expiration, non-renewal, Repurchase, Termination or Transfer of the Franchise for any reason, including those contained in Section 18, and confidentiality, restrictive

covenants, indemnification, audits, dispute resolution de-identification and return or destruction of various items.

QQ. **“Premises”** – means the physical structure and location (generally a physical warehouse) from which you will operate the Center, to be approved by us as specified in Subsection 4.1 and to be designated on Attachment 3.

RR. **“Products and Services”** – means the products, services and goods periodically designated by us for use, sale or otherwise to be provided or used at or from the Center or in association with the Marks.

SS. **“RMA”** – means any regional marketing and advertising program established by us in our Business Judgment to promote Centers and/or Affiliated Businesses located within a particular geographic area. An RMA may include Affiliated Businesses if there are two or more Centers and/or Affiliated Businesses.

TT. **“Repurchase”** – means and includes but is not limited to any acquisition by us or any of the Franchisor Entities of your rights in or to this Agreement, the Franchise, the Premises, the Center, your Business Entity, or any leases or assets associated with any of the foregoing.

UU. **“Retail Center”** – means a business operating under one of the Retail Center-Related Brands that involve the operation of standard, express and flex Retail Centers under retail center franchise agreements. Standard and express Retail Centers provide business support, mailbox, package receiving, postal, printing, copying, office supply, passport photo, notary, fingerprinting, packaging, packing, shipping, moving, pick-up, delivery, personalized mailing, direct mail, digital printing and copying, offset and large-format printing, binding and finishing, graphic design, and related products and services, generally to retail Customers. Flex Retail Centers sell some or all of the services of standard and express Retail Centers, as well as crating, pick-up and delivery services, and also sell boxes and packaging materials, generally to retail Customers. In this Agreement, such businesses are called “Retail Centers.”

VV. **“Retail Center-Related Brands”** – means AIM Mail, AIM Mail Center, Handle With Care Packaging Store, PA+, PA+ Express Business Centers, PostalAnnex, PostalAnnex+, Pak Mail, Parcel Plus, Sunshine Pack & Ship, and any other Retail Center-Related Brands that we may develop or acquire.

WW. **“Similar Business”** – means any enterprise that offers, is otherwise involved in, or deals with any goods, products or services, which are substantially similar to those goods, products or services now or in the future authorized by us to be offered at or from Centers (including any such enterprise or entity awarding franchises or licenses to operate or be involved with any such business). Our receipt of any royalties with respect to any Similar Business is not an approval of your involvement with any Similar Business.

XX. **“Special Accounts”** – means classes of special Customers (which may include national accounts, other large businesses, government agencies, companies with offices located within multiple Center territories, or otherwise) as periodically designated by us in our Business Judgment.

YY. **“System”** – means the distinctive format and method of doing business developed by us and used for the operation of the Center and other Centers operating under the Brand, subject to periodic change by us at any time in our exercise of Business Judgment.

ZZ. **“System Standards”** – means the standards, specifications, processes, procedures and policies that we periodically prescribe, in the Manuals, in writing or otherwise, for the development, establishment, operation and marketing of Centers.

AAA. **“Technology”** – means the computer hardware, software programs and licenses, Internet portal technology, communications devices and other systems, including point-of-sale and back-office systems and the ABConnect Internet Portal System, or any other system that we may designate in the future.

BBB. **“Termination”** – means termination of the Franchise before the expiration of the Franchise. You have certain obligations that survive the expiration, non-renewal, Repurchase, Termination or Transfer of the Franchise, including promises regarding confidentiality, indemnity and non-competition. You and we remain bound by the dispute resolution provisions this Agreement, even after the Franchise expires, is not renewed, or is repurchased, terminated or transferred.

CCC. **“Territory”** – means the geographic area designated on Attachment 3.

DDD. **“Trade Dress”** – means the distinctive and non-functional overall appearance, design and image of a Center periodically authorized by us.

EEE. **“Trade Secrets”** – means any process, device or specially developed proprietary business information that is kept confidential in order to maintain an advantage over competitors, including unpatented devices, methods or processes, know-how, formulae, financial or technical data, designs, source code, object code and data collection.

FFF. **“Transfer”** – means any voluntary, involuntary, direct or indirect assignment, sale, gift, transfer by will, declaration of or transfer in trust, or under the laws of intestate succession; in a divorce proceeding or otherwise by operation of law; or any other transfer of all or any part of the Franchise, the Center, this Agreement or a Business Entity, or any lease or assets associated with any of the foregoing; or a merger or consolidation with another Business Entity or the issuance of other ownership interests in your Business Entity.

3. TERM, GRANT AND TERRITORY.

3.1 Term. The Franchise is for a term commencing on the Effective Date of this Agreement and ending on the 20-year anniversary of the Effective Date, unless: (i) sooner terminated in accordance with Section 17 of this Agreement, or (ii) renewed in accordance with Section 16 of this Agreement.

3.2 Grant.

A. Subject to the terms of this Agreement and in reliance on the information you gave to us in your application, we are pleased to award and grant to you the Franchise, which permits you to establish and operate the Center, using the Brand, Premises and Territory designated on Attachment 3, all in accordance with this Agreement, the Manuals, and other communications from us, in writing or otherwise, authorized and approved by us.

B. You hereby accept the Franchise and agree that, during the term of the Franchise, you may not: (i) conduct the business of the Center from any location other than the Premises without our prior written consent; (ii) use the Marks for any purpose other than as approved by us in writing; (iii) distribute, offer or sell anything other than the Products and Services from, at or in connection with the Center; or (iv) conduct any unauthorized activities from the Premises.

C. Subject to our rights as set forth in this Agreement, so long as you are in Good Standing under this Agreement, we will not own or operate, or authorize any other person to own or operate, a Center located within the Territory. We and the Franchisor Entities expressly reserve all other rights, including the right to:

1. own or operate ourselves, or authorize others to own or operate a Retail Center within the Territory, which may or may not use the Marks;
2. offer and sell Products and Services (whether or not competitive) through the Internet, other similar venues, or any other channel of distribution except a Center located within the Territory, to Customers located anywhere, including within the Territory;
3. develop or become associated with other concepts (including dual branding or other franchise systems), whether or not using the Brand, the Marks or the System, and award franchises under such other concepts for locations anywhere;
4. acquire, a Business Entity or a portion of its assets (i.e., franchise agreements, contract or licenses, etc.), be acquired by a Business Entity or a portion of its assets (i.e., franchise agreements, contracts or licenses, etc.), merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), where such Business Entities or assets, own, operate or license Similar Businesses offering the same of similar Products and Services as the Center. The location or operation of such Business Entities, assets, or Similar Businesses within the Territory of the Center are expressly permitted under this Agreement. In addition such transactions may also include, but are not limited to, arrangements involving Similar Businesses, competing businesses/outlets and dual branding and/or brand conversions (to or from the Brand, the Marks and the System). Such transactions are expressly permitted under this Agreement, and you agree to participate at your expense in any such conversion as instructed by us.

3.3 Territory.

A. You agree to comply with System Standards established by us, whether published by us in the Manuals, in writing or otherwise, including restrictions on dealing with Customers of other Centers, or other Affiliated Businesses in prescribed circumstances; target marketing and referral sources; account sharing; inter-franchise sales,

co-operative business practices and conduct, or any remedial process related to disputes between or among Brand franchisees related to territorial rights. We reserve the right to periodically change or eliminate any of these System Standards in our Business Judgment. Subject to the limitations described in this Agreement and in the Manuals:

1. You may market to any potential Customer or business referral source located within your Territory. You may not market to potential Customers or business referral sources outside of your Territory without our prior written consent, whether through contact by your salesperson, or any method of advertising, including the use of mass media marketing activities that target locations/Customers outside of your Territory;

2. You may service Customers outside of your Territory which have been referred to you by business referral sources that you have developed and who are located within your Territory even if the Customers are within the territory of another Center. Other Brand franchisees may service Customers within your Territory which have been referred to them by business referral sources that they have developed and who are located within their Territory.

3. We may, in our Business Judgment, allow you to develop relationships with business referral sources or directly with Customers located outside your Territory, if such business referral sources and Customers are not located within a territory granted to another Center, and if you acknowledge that you will immediately cease acceptance of referral business or service to such Customers if a Center is opened in the future whose territory contains such business referral sources or Customers. You agree to assist in the transition of such business referral sources or Customers located outside of the Territory to future Centers. You will be compensated by the new franchisee in an amount equal to 5% of the total gross billed amount for any services performed for Customers generated by such referral sources or such Customers during the 1-year period after the opening of the new center.

4. If you perform work for a Customer within your Territory who was previously the Customer of another Center, we may require you to pay our then-current referral fee that will be based on a percentage of the gross billed price for the work that you perform. Additionally, in certain circumstances as more fully described by us in the Manuals, in writing or otherwise, you may not be permitted to service Customers of other Center, even if located within your Territory.

B. You agree to comply on our request with local marketing programs/limitations that we periodically establish, including instructions/limits regarding marketing to or developing referral business relationships with members of a particular market segment (e.g., moving companies, mail and parcel centers, transit companies, art and antique dealers, eBay power sellers, etc.) inside or outside of your Territory. We reserve the right to manage such business referral sources in our Business Judgment to help build the Brand and the franchise network and for other business purposes.

C. Except for the location of a Center within the Territory, you have no right to exclude, control, or impose conditions on the location of any present or future Centers, any Affiliated Businesses operated under the Brands or Retail Center-Related Brands, or any distribution channels regardless of their location or proximity to the Premises and of their type, franchised or owned or licensed by us, our Affiliates, or our Affiliates' respective licensees. You acknowledge and understand that all Centers and

Affiliated Businesses may solicit and service clients and otherwise advertise and offer their respective services to any individuals or entities regardless of those individuals' or entities' geographic locations, including any locations within the Territory, and expressly acknowledge that your rights in the Territory are exactly and only as expressly set forth in this Section 3.

4. DEVELOPMENT AND OPENING OF THE CENTER.

4.1 Selection of Premises. Your Premises must be located within your Territory. If you do not find a site that is suitable for the operation of the Center and acceptable to us, or if you do not open the Center for business within 270 days after execution of this Agreement, we may terminate the Franchise. All matters related in any way to your site are your sole responsibility, regardless of any assistance we may choose to provide. You must not make any commitments in connection with a proposed site until you have our written acceptance of the site as your Premises. We will not unreasonably withhold or delay our notice of acceptance of your proposed site. Acceptance by us of any site is not a recommendation, approval or endorsement of such site. We make no representations or warranties as to the success of any site or as to any other matter of any kind relating to the site. Neither we nor any Franchisor Entity will have any liability for any site-related matter.

4.2 Lease of Premises.

A. You agree to submit any lease and all site-related documents to us for review before your execution of the lease or sublease and site-related documents. You agree not to execute a lease or sublease, or any modification or amendment, without our prior written consent, which we can grant, condition or withhold in our Business Judgment. You agree to deliver a copy of the approved lease or sublease to us within 5 days after it is fully-executed by you and the lessor.

B. You must sign the Collateral Assignment of Lease (Attachment 5), when you sign this Agreement. You agree to use commercially reasonable efforts to arrange for the inclusion of provisions in the lease, sublease or other appropriate site-related documents that: (i) provide that the Premises will be used only for the operation of the Center, and permit you to operate the Center in accordance with this Agreement and the Manuals; (ii) prohibit you from assigning or modifying any of your lease rights, or extending the term without our prior written consent; (iii) provide that the lessor consents to your use of the Marks, Trade Dress and other aspects of the System, as periodically modified by us; (iv) gives us the right to enter the Premises during normal business hours for purposes of inspection, or otherwise to take steps to protect the Marks and Trade Dress or to prevent or cure any default; (v) require the lessor to concurrently provide us with a copy of any written notices to you under the lease and give us the right but not the obligation to cure any of your defaults; (vi) provide us with the right, on request, to enter into a new lease on essentially the same terms if you lose your rights to the Premises in connection with any bankruptcy; and (vii) provide us with a right to take assignment and possession of the Center, without the lessor's consent or any additional consideration if we terminate the Franchise, or the Franchise expires or is not renewed. You agree to take whatever actions are necessary to accomplish such assignment and we will not have any

liability for any obligations incurred before our occupancy if we exercise this right of assignment

4.3 Design Standards and Facilitation Services.

A. **Design Standards.** You agree to comply with the Design Standards. Any changes from plans provided by us to you must be submitted to us for our consent. You will obtain at your sole expense any general contractor, architectural or engineering services that may be required to adapt any plans and specifications to your Premises and all applicable laws, regulations and ordinances. You are responsible for obtaining any architectural, engineering or licensed contractor services required for your Premises and for ensuring compliance with all applicable federal, state and local laws, regulations and ordinances.

B. **Facilitation Services.** We will provide Facilitation Services. Facilitation Services are limited to the advice that we give to you even if you request, or the Facilitation Services reasonably require, that we interact with your architect, contractor, materials suppliers and/or other persons hired by you. We will have no authority or control over, or responsibility for, the acts/omissions of any architect, contractor, materials supplier or other persons hired by you and with whom you will have a direct legal and business relationship. You agree to hold us harmless from any claims relating to our acts and/or omissions in connection with the Facilitation Services and will make no claims against us regarding such Facilitation Services.

4.4 Equipment, Furniture, Fixtures, and Interior and Exterior Signage. You will use only Designated Equipment and suppliers approved by us in the development and operation of the Center as we may require. We or our Affiliates may be such approved suppliers.

4.5 Center Opening. Unless you are acquiring an existing Center from us, a Franchisor Entity or another Center Franchise, you must open Premises for the Center within 270 days after the Effective Date of this Agreement. In order to open Premises for the Center, you must receive the opening notice from us. You must open the Center for business immediately after receipt of our notice to you that: (i) all of your pre-opening obligations have been fulfilled; (ii) all pre-opening training has been satisfactorily completed; (iii) all amounts due us have been paid; and (iv) we have received copies of all insurance policies (including evidence that you have paid the premiums), an executed lease or sublease, and any other documents that we reasonably require. If you are unable to open and begin operating from approved Premises for the Center within the time provided in this Subsection 4.5, at least thirty (30) days before expiration of the time period, you may apply to us for a six-month extension of time. Your application must include a detailed business plan and explain why additional time is needed. We will approve or deny your application within twenty (20) days. If we do not grant an extension to you, we may terminate the Franchise.

4.6 Relocation of The Center Premises. You must operate only from the Premises approved by us during the term of the Franchise unless you have been approved to relocate your Premises. We will grant permission for the relocation of the Center to a location within the Territory described in Attachment 3 meeting our then-current Design

Standards and System Standards for Center locations, and our then-current standards relating to the proximity of other Centers and their Territories. If you request a relocation of the Center to a Premises outside of your current Territory and we approve of the relocation, you will need to execute an amended Attachment 3 with a new Territory). Any relocation requires our prior written approval, will be at your sole expense and will require that you (and each Affiliate and owner of yours) sign a General Release. If your Premises is damaged, condemned or otherwise rendered unusable, or if, in your and our judgment, there is a change in the character of the location of your Premises sufficiently detrimental to its business potential to warrant its relocation, you agree to relocate the Center within 6 months.

5. TECHNOLOGY AND E-COMMERCE.

A. You must purchase, use, maintain and update at your expense the Technology meeting our specifications. You agree to enter into license agreements, including Attachment 6, as may be required by the licensor of any Technology, and to subscribe or otherwise arrange for any related maintenance, support or other services we require in connection with the Technology. You must pay all charges for use, maintenance, support, or updates of and to the Technology on receipt. You agree to maintain your Technology online to allow us access to system data and information as instructed by us and/or make your computer systems(s) remotely accessible by us. You must record all transactional information, such as information on billing, freight origination, freight destination, third-party carriers and the total charges billed by you, in a timely manner and as we specify in our Business Judgment. You agree to comply with our then-current Terms of Use and Privacy Policies, including the provisions in Attachment 7 or as otherwise modified by us.

B. Neither we nor any of the Franchisor Entities will have any liability and/or obligation (and neither you, nor any Affiliate of yours, will make any claims) about any failures, errors or any other occurrences relating to any Technology without an express written warranty from us, even if such Technology is recommended or specified by us. We make no representation or warranty that any Technology and related services that may be sold or licensed to you, whether by us, an Affiliate, a designated supplier or any other person or Business Entity, will be free of errors or bugs or will operate without interruption. If we require you to obtain or license any Technology that is customized for use in the operation of the Center, we will reasonably cooperate with and assist you in obtaining problem corrections and support services from the licensor or manufacturer of such Technology.

C. Any and all uses of the Internet, social media platforms, online directory listings, other networking platforms, other comparable electronic identities, other electronic media, or other means of marketing and distribution of Products and Services by you in connection with the Center, will be as periodically specified by us in the Manuals, in writing or otherwise. We may, but are not required to, maintain a corporate website on the Internet to market and promote the System and the Products and Services marketed by you. If we maintain a website, we may, but are not required to, establish and maintain a private Intranet, newsgroups and bulletin boards for use by you. We may, but are not required to, maintain a designated area on our corporate website for the purpose of

promoting the Center or otherwise permitting an electronic link from our website to a website that you maintain, subject to our prior written consent and in our Business Judgment. We may, but are not required to, provide email addresses to you for the Center. You are only permitted to use the email address(es) that we provide to you or otherwise authorize to represent the Center. You may not establish or use another email addresses without our prior written consent. The corporate website (if established), related websites, private Intranet and the Center's email addresses will be governed by our Internet Policies and Procedure Agreement (Attachment 7) as modified by us from time to time. You will not market or sell through such venues or any channel of distribution other than at the Center without our written permission, which we can grant, condition or deny in our Business Judgment. We require you to pay, by electronic funds transfer or other method required by us, a fee for any such products/services as reasonably established by us, and we may adjust the fee on at least 15 days' notice to you.

D. You understand and agree that we own all Numbers. You will submit to us your phone service order and we will coordinate the ordering and installation of your phone service with the billing address to be your place of business address. You will maintain your phone service, and your classified or other telephone and fax directory listings, on a current payment basis. If we choose at any time to be direct-billed by a provider for any account for the Numbers, you agree to pay us all amounts due such providers within 10 days of our written notice to you. If you fail on 2 or more occasions to pay any such amounts to us when due, then we can require you to maintain a deposit with us in an amount reasonably determined by us based on usage history and other relevant factors. We can in our Business Judgment require you to sign an assignment of such Numbers before training or at another time. You agree to sign any documents, including Attachment 4, or pay any amounts required by a telephone, fax, communication services provider or other provider, as a condition to our dealing with the Numbers.

6. TRAINING AND GUIDANCE.

6.1 Training.

A. Before opening the Center, you must successfully complete pre-training preparation, an initial training program, including operations, management and sales training, and post training follow-up training sessions, including teleconferences, online Internet-based training, and live webcast sessions. The initial training program will be at a time and place, and for such period, as we specify. We may choose, in our Business Judgment, to shorten or eliminate training under certain circumstances, such as attendees' prior or comparable experience with the subject matter, the number of attendees, scheduling.

B. Before providing services for the Center, your salesperson may be required to complete our initial sales and marketing training program.

C. During the term, you and/or your operations person(s) and/or salesperson must attend periodic refresher courses at locations designated by us. We may offer a national convention and/or regional meetings or seminars at various times for additional training in marketing, advertising, equipment technology, business management and in other topics selected by us in our Business Judgment. You and/or your designated

personnel must attend the full program of, and must stay at the designated hotel of, each national convention, if held by us. You and/or your designated personnel must attend any regional meeting held in your geographical area.

D. You are responsible for all expenses incurred by you and/or your personnel, including lodging, room, board, travel, salaries, and incidental expenses and other expenses, while attending the initial training program and any other voluntary or mandatory training programs, seminars, meetings, or national conventions.

E. The cost of our pre-training preparation assistance and initial training program is included in the Initial Franchise Fee for up to 4 persons unless you are a new franchisee who is converting an existing business to a Center (see Subsection 10.1.D) or you are acquiring an existing Center (see Subsection 15.3.J). We may charge a reasonable fee for training of additional personnel. We may charge a registration or other fee for the national convention, any regional meeting or any other mandatory or optional training courses. You must pay any fees that we may charge to you or any of your attendees for any mandatory or optional training programs, seminars, meetings or conventions.

6.2 Guidance and Assistance. We will provide guidance in the operation of the Center. This guidance can be furnished in whatever manner we consider appropriate in our Business Judgment, including electronically, in writing or telephonically, through training programs or on-site consultations, among other methods. We will provide at your request on-site consultations at the Center, based on notice, availability of personnel and your payment of reasonable travel, food, incidental and lodging expenses. If we believe that your operations warrant it, we can require that a manager or other person designated by us (and compensated by you) be placed in the Center to supervise its day-to-day operations until operations meet System standards. We will provide you with samples of initial advertising and marketing materials.

7. MARKS.

7.1 Goodwill and Ownership of Marks. You agree that we have all rights in and to the Marks, and you acknowledge that you have been granted a non-exclusive right to use the Marks only as expressly authorized by us under this Agreement. You acknowledge that any goodwill relating to your use of the Marks will inure to the benefit of us and our Affiliates and that this Agreement does not confer any goodwill or other interest in the Marks to you, other than the right to use the Marks in the operation of the Center in compliance with this Agreement. You will not oppose or engage in any acts or omissions inconsistent with our rights in and to the Marks. This Agreement applies to all Marks that we may authorize you to use throughout its term.

7.2 Limitations and Use of Marks. You will use the designated Marks as the sole identification for the Center. You will display the Marks as required by us and will not use the Marks so as to negatively affect their goodwill. You will not use any Mark in connection with the performance or sale of any unauthorized products or services or at any location or in any other manner not expressly authorized in writing by us. You agree to give such trademark and other notices (including notices of independent ownership) as we direct and will, at your expense, obtain fictitious or assumed name registrations as may be

required under law and provide us with proof of such fictitious or assumed name filings. Unless we give our prior written consent in our Business Judgment, you will not use any Mark, or any modified version or derivative of any Mark, as part of any Business Entity or trade name or other formal business name, website address, domain name, email address or other identification in any print, digital, electronic or other medium, including social media platforms, online directory listings, other networking platforms, or other comparable electronic identities, or with any prefix, suffix or other modifying word, term, design or symbol, or in any modified form (see Attachment 7). If you are a Business Entity, you agree that any reference to us, or the franchise relationship with us contained in your formation documents, will include a clear statement of your independent ownership and the fact that you are separate and distinct from us and our business operations. Any unauthorized use of the Marks is a breach of this Agreement and an infringement of our proprietary rights in and to the Marks.

7.3 Notification of Infringements and Claims. You will take such actions as we direct in our Business Judgment to protect and maintain our interest in the Marks. You will not take any action that jeopardizes our interests in, or the validity or enforceability of, the Marks. You agree to immediately notify us of any apparent or actual infringement of, or of any challenge to your use of, the Brand or the Marks. You will not communicate with any third party with respect to such claims without our prior authorization. We will take such action as we deem appropriate in our Business Judgment. As owner of the Marks, we have the exclusive right to control any settlement, litigation or proceeding arising out of or related to any such matters. We will bear the cost of any such action, and will indemnify you against and reimburse you for all damages for which you are held liable in any proceeding arising out of the use of any Mark in compliance with this Agreement.

7.4 Discontinuance of Use of Marks. You agree to comply at your expense with any directions from us to discontinue, modify, substitute, or add Marks. We cannot and do not make any guaranty that a modification, discontinuance or otherwise may not be required for any reason. In such event, we will have no liability or obligation to you. You agree to make no claim in connection with any modification, discontinuance or other action, or with any dispute regarding the Marks. There is always a possibility that there might be one or more businesses using a name or marks similar to ours and with superior rights.

7.5 Co-Branded Program. Notwithstanding other provisions in this Agreement to the contrary, you acknowledge and agree that we reserve the right to periodically establish relationships, partnerships, joint ventures, or other strategic alliances with various suppliers, retailers, service providers, suppliers and other franchise and distribution companies in which the products or services of such other parties will be co-branded and marketed with our products and services, which also may entail the promotion of other brands of products or services and the license of the marks of such other third parties. If we establish any such program, you agree to participate in accordance with guidelines and requirements that we establish, including the execution of separate licensing and/or distribution agreements in a form we specify and the payment of reasonable fees related to the programs that may be in addition to royalty fees and marketing fees.

8. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION.

8.1 Relationship of the Parties.

A. Under this Agreement, you are an independent contractor with entire control and direction of the Center, subject only to the terms of this Agreement and its attachments. This Agreement is not intended to, and does not create a fiduciary or other special relationship between the parties, or make any party a principal, agent, legal representative, parent, affiliate, subsidiary, joint venturer, partner, employer, joint employer, employee or servant of any other party for any purpose. In that regard:

1. We have no right or duty to operate the Center, and disclaim any liability under this Agreement for any damages arising out of the operation of the Center.

2. You are solely responsible for recruiting, interviewing, hiring, determining the terms of employment of, compensating, keeping the time of, processing the payroll of, providing work resources to, scheduling, supervising, disciplining and firing your personnel, and your personnel are not our employees, independent contractors or agents. We have no right or duty to supervise, or to exercise control over, your personnel in the operation of the Center, and disclaim any rights or responsibilities as to your personnel. To the extent that we provide you with guidelines, recommendations, materials and other resources related to functions such as recruiting, interviewing, hiring, determining the terms of employment of, compensating, keeping the time of, processing the payroll of, providing work resources to, scheduling, supervising, disciplining or firing personnel, you may use those resources, or may choose to use alternate resources. You are solely responsible for consulting with your own third-party human resources (“HR”) service provider and/or legal counsel concerning compliance with applicable personnel laws and regulations, and for complying with those laws and regulations.

3. Except as provided in this Agreement, you are solely responsible for training your personnel. To the extent that we provide you with materials and other resources related to training your management and non-management personnel on matters in the interest of protecting and maintaining the goodwill of the System and the Marks, and not in order to give us control the day-to-day operation of the Center, you must use those resources as we direct. To the extent that we provide you with guidelines, recommendations, materials and other resources related to training your management and non-management personnel on other matters, you may use those resources, or may choose to use alternate resources, so long as your personnel are trained to operate the Center in a System-compliant, legal and safe manner.

4. You are solely responsible for establishing and enforcing your own policies related to personnel practices and labor relations. To the extent that we provide you with guidelines, recommendations and materials related to personnel practices and labor relations, you may use those resources, or may choose to use alternate resources. You are solely responsible for consulting with your own third-party HR service provider and/or legal counsel concerning compliance with applicable personnel and labor relations laws and regulations, and for complying with those laws and regulations.

B. During the term of the Franchise, you agree to hold yourself out, to the public, public officials, your suppliers, your independent contractors and others, as an independent contractor operating the Center pursuant to rights granted by us, but not jointly with us. You agree to take any reasonable action that we consider necessary to that end, including exhibiting notices

of the parties' relationship in a conspicuous manner at the Center, and on websites, letterhead, forms, business cards, electronic communications, advertisements, and other materials we designate. We reserve the right to specify and change the content and form of these notices.

C. During the term of the Franchise, you shall hold yourself out to your prospective personnel, and to your personnel, as an independent contractor operating the Center pursuant to rights granted by us, but not jointly with us. You shall take any reasonable action that we consider necessary to that end, including (i) stating conspicuously on each employment application that the person is applying to be your employee and not an employee of ours, (ii) stating your entire business name, rather than just using our brand name and/or logo, on your payroll checks and/or payroll-related communications to employees, and (iii) requiring personnel to sign acknowledgements that they are not employees of ours, even though they are selling Products and Services identified by our brand name(s) and/or logo(s), are receiving payroll checks and other communications that contain our brand name(s) and/or logo(s), may have applied for jobs through our website(s), or may communicate with or receive non-mandatory feedback, coaching or recommendations from us or our agents in emails or other electronic or written communications, or during telephone calls, meetings or inspections. We reserve the right to specify and change the content and form of these statements and acknowledgements.

D. Under this Agreement, no party is responsible for any obligations, debts or expenses of any other party. Nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf; to incur any obligation, debt or expense in our name; or to make any representation to any third party tending to indicate a business relationship with us beyond that created under this Agreement. We disclaim any liability for, and will not be liable under this Agreement for any claim or judgment arising as a result of, any such action.

8.2 Indemnity.

A. You will indemnify and hold us and all of the Franchisor Entities harmless from all fines, suits, proceedings, claims, demands, actions, losses, damages, costs, fees (including attorneys' fees and related expenses) or any other liability of any kind or nature, however arising, growing out of or otherwise connected with or related to any act, error or omission of yours or your personnel (including your ownership or management of the Center or in connection with a Transfer). We will have the right to control all litigation, and defend or settle any claim, against or including us or the Franchisor Entities, or affecting our or their interests, in such manner as we deem appropriate in our Business Judgment, without affecting our rights under this indemnity. You acknowledge (i) that we do not have any reserved or general right to exercise control over, and do not exercise any indirect or direct control over, the day-to-day operation of the Center (including operations-related functions such as safety and security, the use of equipment and motor vehicles, and the delivery of Products and Services to Customers, and personnel-related functions such as recruiting, interviewing, hiring, determining terms of employment, compensating, timekeeping, payroll processing, providing work resources, scheduling, supervising, disciplining and firing), (ii) that all liability arising out of the operation of the Center is therefore your responsibility, and (iii) that your indemnification obligation under this Subsection 8.2.A covers any "joint employer," "agency," "ostensible agency" or similar claims by third parties based on the establishment or operation of the Center.

B. Any goods or services, training or assistance provided by us, the Franchisor Entities or any approved supplier are provided without any warranties, express or implied, the warranties of merchantability and fitness for a particular purpose being expressly disclaimed, absent a specific written warranty expressly provided in connection with a particular item or service.

8.3 Disclosure. You agree that we may disclose any information relating to you or the Center, including your name, address, phone number and other contact information, revenue, expenses, results of operation, or other information that we, in our Business Judgment consider necessary, for business purposes, whether or not contained in a disclosure document, or as otherwise required by law.

9. CONFIDENTIAL INFORMATION; RESTRICTIVE COVENANTS ; MANUALS.

9.1 Confidential Information.

A. You agree that the Confidential Information is owned by, and constitutes, a trade secret of ours and that your only right and interest in the Confidential Information is the right to use Confidential Information pursuant to this Agreement during and after the term of the Franchise, and you agree:

1. to use the Confidential Information only for the operation of the Center under a franchise agreement;
2. not to make or distribute, or permit to be made or distributed, any unauthorized copies of any portion of the Confidential Information; and
3. to maintain the confidentiality of the Confidential Information and to implement all prescribed procedures for prevention of unauthorized use or disclosure of the Confidential Information, including the obligation to cause each of your employees, agents, principals and Affiliates to sign a Non-Competition and Non-Solicitation Agreement (Attachment 11), Employee/Independent Contractor Confidentiality And Non-Competition Agreement, or a form of agreement otherwise prescribed by us containing substantially the same provisions as are set forth in this Section 9, and provide copies of the same to us on request.

B. If you or your personnel develop any ideas, techniques, methods and processes relating to the Center that is based on Confidential Information, you agree to promptly notify us and provide us with necessary information without compensation to you. You acknowledge that we will have the perpetual right to use, and to authorize others to use such ideas, techniques, methods and processes.

9.2 Restrictive Covenants.

A. During the term of the Franchise and for a continuous 2-year period after expiration, non-renewal, Repurchase, Termination or Transfer of the Franchise, directly or indirectly, or through any Immediate Family Member, as an employee, manager, consultant, operator, lender, investor, financier, representative, disclosed or beneficial owner, part owner, proprietor, partner, principal, officer, director, co-venturer, stockholder, member, agent, participant, or in any other capacity (except as the owner of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of that class of securities):

1. you agree **not** to have any direct or indirect interest in a Similar Business during the term of the Franchise;

2. you agree not to have any direct or indirect interest in a Similar Business located within a radius of 15 miles of the Center, any Center or any Retail Center in operation or under construction on the effective date of any expiration, non-renewal, Repurchase, Termination or Transfer of the Franchise, or otherwise engage in any other business or activity that may or could conflict with your obligations under this Agreement; and

3. you agree **not** to divert or attempt to divert any business or Customer of the Center, any Center or any Retail Center to a Similar Business, or otherwise engage in any activity that may or could reduce the Gross Volume of the Center, any Center or any Retail Center.

B. If you violate any covenant in this Section 9 at any time during the 2-year period after the effective date of any expiration, non-renewal, Repurchase, Termination or Transfer of the Franchise, you agree that the restrictive period will be extended by any period of non-compliance, and you agree that an arbitrator or judge may order compliance with such covenant during any such extended period.

C. The parties have attempted in Section 9 to limit your right to compete only to the extent necessary to protect us from unfair competition. You expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities to exploit such skills. Consequently, enforcement of the covenants set forth above will not deprive you of the ability to earn a living.

D. We and you agree that the law of the jurisdiction in which the Center is located will govern the enforceability of the covenants in this Section 9. We reserve the right to reduce the scope of this Section 9 without your consent, at any time, effective immediately on notice to you. If any covenant in this Section 9 is deemed unenforceable by law or by virtue of its scope in terms of length of time, business activity prohibited and/or area, but could be enforceable by reducing any part thereof, you and us agree that a court or arbitrator, as the case may be, may modify the covenant to the extent that it deems necessary to make such provision enforceable under applicable law and public policies applied in the jurisdiction in which enforcement is sought.

E. You acknowledge that violation of any covenant in this Section 9 will result in immediate and irreparable injury to us for which no adequate remedy at law will be available. Accordingly, you hereby consent to the entry of a temporary restraining order, or a preliminary or permanent injunction, prohibiting any conduct by you in violation of any such covenant, without the need for us to prove irreparable harm. You expressly agree that it may conclusively be presumed by an arbitrator or judge that any violation of a covenant in this Section 9 was accomplished by and through your unlawful utilization of our Confidential Information. Further, you expressly agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to the enforcement by us of the covenants in this Section 9. You further agree to pay all costs and expenses (including reasonable accounting, expert and witness fees, and reasonable attorneys' fees) incurred by us through appeal in connection with the enforcement of the covenants in this Section 9.

9.3 Manuals. During the term of the Agreement, we will loan you or allow you access to a copy of the Manuals. You will continuously comply, at your expense, with all provisions of and changes to the Manuals. Any changes will take precedence over prior communications. Mandatory standards, specifications, policies and procedures periodically prescribed by us in the Manuals, in writing or otherwise, are a part of this Agreement as if contained in this Agreement. In the event of a dispute, the master copy of the Manuals maintained at our office will control.

10. FEES.

10.1 Initial Franchise Fee.

A. You must pay to us a \$29,950 initial franchise fee when you sign this Agreement unless you qualify for a reduced initial franchise fee as described in Subsections 10.1.B through 10.1.E of this Agreement. For new Centers, the Initial Franchise Fee includes training for up to 4 persons. The initial franchise fee is fully earned when paid and non-refundable in consideration for administrative and other expenses that we incur in entering into this Agreement, and for lost or deferred opportunity to enter into a franchise agreement with others, except that:

1. If, before initial training, you decide not to continue as a franchisee, and if we agree to terminate the Franchise and determine that you are entitled to a refund, we may refund the initial franchise fee, less \$8,000 to compensate us for services to you to that point, and less any actual out-of-pocket expenses, including any broker referral fees that we may have been required to pay in connection with your execution of this Agreement. You agree and acknowledge that any such refund will be our only obligation to you, and that you and any of your owners will execute General Releases, in forms satisfactory to us. You further agree and acknowledge that, in the event of such Termination, you will be bound by the Post Termination Provisions of this Agreement.

2. If, before or during initial training, we, in our Business Judgment, determine that you cannot successfully complete initial training or that you are not making satisfactory progress in initial training, we may terminate the Franchise. If we terminate the Franchise, we may refund the initial franchise fee, less \$8,000 to compensate us for services to you to that point, and less any actual out-of-pocket expenses, including any broker referral fees that we may have been required to pay in connection with your execution of this Agreement. You agree and acknowledge that any such refund will be our only obligation to you, and that you and any of your owners will execute General Releases, in forms satisfactory to us. You further agree and acknowledge that, in the event of such Termination, you will be bound by the Post Termination Provisions of this Agreement.

3. If you do not locate acceptable Premises in accordance with Subsections 4.1 and 4.2 of this Agreement, or open the Center within 270 days after the Effective Date of this Agreement or any approved extension in accordance with Subsection 4.5 of this Agreement, we may terminate the Franchise. If we terminate the Franchise before you begin initial training, we may refund the initial franchise fee, less \$8,000 to compensate us for services to you to that point, and less any actual out-of-pocket expenses, including any broker referral fees that we may have been required to pay in connection with your execution of this Agreement. You agree and acknowledge that any such refund will be our only obligation to you, and that you and any of your

owners will execute General Releases, in forms satisfactory to us. If we terminate the Franchise after you begin initial training, we will not refund any of the initial franchise fee.

4. If you decide to purchase an existing Center instead of opening a new Center after you sign this Agreement, we will not refund any of the initial franchise fee, whether or not we terminate the Franchise.

B. If you are an honorably-discharged veteran of the U.S. armed forces, we will discount the initial franchise fee by 20% (\$5,990), and you will pay us a \$23,960 initial franchise fee.

C. If you already own and operate a Center or a Retail Center, we will discount the initial franchise fee by 50% (\$14,975), and you will pay us a \$14,975 initial franchise fee for your 2nd or further additional Center or Retail Center. If you are also an honorably-discharged veteran of the U.S. armed forces, we will discount the initial franchise fee by an additional 20% (\$2,995), and you will pay us an \$11,980 initial franchise fee.

D. If an existing business meets our qualifications to convert to a Franchise, we will discount the initial franchise fee by 50% (\$14,975), and you will pay us a \$14,975 initial franchise fee and a \$4,000 conversion training fee (see Subsection 15.3.J.); provided, however, that if an existing business meets certain special location or other program criteria, we reserve the right to provide credits and other consideration, or further discount or waive the initial franchise fee in certain circumstances. If you are also an honorably-discharged veteran of the U.S. armed forces, we will discount the initial franchise fee by an additional 20% (\$2,995), and you will pay us an \$11,980 initial franchise fee and a \$4,000 conversion training fee.

E. If you already own and operate a Center or a Retail Center and also own an existing business that meets our qualifications to convert to a Center as your 2nd or further additional Center, we will discount the initial franchise fee to \$5,000. If you are also an honorably-discharged veteran of the U.S. armed forces, we will discount the initial franchise fee by an additional 20% (\$1,000), and you will pay us a \$4,000 initial franchise fee.

F. If you pay a discounted initial franchise fee, you must own and operate the Center for at least 1 year after the date of opening. If you sell the Center before the end of the 1-year period, when the Center is sold, you must pay to us the difference between the standard initial franchise fee and the discounted initial franchise fee. If you decide to purchase an existing Center instead of opening a new Center after you sign this Agreement, we will not refund any of the initial franchise fee, whether or not we terminate the Franchise.

10.2 Royalty; Reporting Period; Payment Date. You will pay to us an amount equal to 6% of the Gross Volume received or earned by you during the preceding reporting period as a royalty fee. The current reporting period is a calendar week (Monday through Sunday), but we may change the time period in our Business Judgment after at least 15 days' notice to you. Royalty fees are to be paid to us by the third day of each reporting period. Royalty fees are due and payable to us commencing with the first reporting period

after you (i) open a physical warehouse for the Center, (ii) assume operation of an existing Center by Transfer, or (iii) convert an existing business to a Center.

10.3 ABConnect Fee. You will pay to us a license fee in the amount of \$6,250 when you sign the ABConnect License Agreement (Attachment 6).

10.4 CFB Program. We are not obligated or required to establish or maintain a CFB Program under Subsection 11.2.D. of this Agreement, but you must participate in any CFB Program that we establish and pay any invoices as we periodically specify.

A. **CFB Program Processing Fee.** If we establish a CFB Program, you must pay to us the then-current CFB Processing Fee per freight shipment processed weekly at the same time as royalty fees. We may establish other due dates and change the amount of the CFB Processing Fee by giving at least 15 days' notice to you.

B. **CFB Program Deposit.** If we require, before or at initial training, you must deposit with us the then-current CFB Program Deposit. We may change the CFB Program Deposit after at least 15 days' notice to you. We may use the CFB Program Deposit to pay any past-due invoices or other amounts due to us at any time. On expiration, non-renewal, Repurchase, Termination or Transfer of the Franchise, or on closure of the Center, we will retain the CFB Program Deposit up to 60 days, until we receive all invoices, and apply the CFB Program Deposit toward invoices or other amounts due to us. We will refund any balance if invoices or other amounts due to us are less than the CFB Program Deposit. If invoices or other amounts due to us are more than the CFB Program Deposit, we will bill you for the overage. This CFB Program Deposit is non-refundable if you (i) attend initial training, even if you do not open or convert the Center, (ii) open the Center, (iii) assume the operation of an existing Center by Transfer, or (iv) convert an existing business to a Center.

10.5 National Convention Participation Deposits. Beginning with the first week after you (i) open the physical warehouse of the Center, (ii) assume the operation of an existing Center by Transfer, or (iii) convert an existing business to a Center, we will collect from you the sum of \$25 per week on the third day of each week, by automatic draft from your designated operating account. The amount, frequency, date and method of collection of the National Convention Participation Deposits are subject to change in our Business Judgment, after at least 15 days' notice to you. The National Convention Participation Deposits will be applied to the per-person national convention registration fee and the national convention hotel fee for 1 room for the next scheduled national convention. If your accrued National Convention Participation Deposits are not sufficient to cover these fees, we have the right to debit your bank account for the difference. If you and/or your designated personnel attend the full program of, and stay at the designated hotel of, a the national convention, as required, any unused National Convention Participation Deposits will remain with us as a credit toward the registration fee and the hotel fee for the next national convention unless we agree to apply the unused National Convention Participation Deposits towards or reimburse you for your other expenses associated with the national convention, including travel expenses, incidental expenses and additional lodging expenses. If you and/or your designated personnel fail to attend the full program of, or fail to stay at the designated hotel of, a national convention, any accrued National Convention Participation Deposits will be forfeited and retained by us as of the closing date of the

national convention. If you Transfer, we will transfer any of your accrued National Convention Participation Deposits to the transferee's account as of the Transfer closing date. Any accrued National Convention Participation Deposits will be forfeited and retained by us on expiration, non-renewal, Repurchase or Termination of the Franchise, and/or on closure of the Center.

10.6 New Center/New Owner Marketing Program Deposit. You will pay to us a New Center/New Owner Marketing Program Deposit in the amount of \$5,500 before or at initial training for a new Center or for a Center being converted from an existing business, or on or before the closing date of a Transfer, if you assume operation of an existing Center by Transfer. We will use the New Center/New Owner Marketing Program Deposit to advertise the Center before and within about 90 days after you (i) open the physical warehouse of the Center, (ii) assume the operation of an existing Center by Transfer, or (iii) convert an existing business to a Center, and may allocate up to \$300 for the purchase of required logo attire for you and your personnel. The deposit will not be used for signage, including electronic signs, window graphics or banners, logo floor mats, etc. The deposit is non-refundable if you (i) attend initial training, even if you do not open or convert the Center, (ii) open the Center, (iii) assume the operation of an existing Center by Transfer, or (iv) convert an existing business to the Center.

10.7 Marketing Contribution. You will pay to us an amount equal to 3% of the Gross Volume received or earned by you during the preceding reporting period as a contribution to the Marketing Fund established under Subsection 12.1 of this Agreement. The marketing contribution will be calculated and paid at the same time and in the same manner as royalty fees.

10.8 Electronic Funds Transfer. You must maintain an operating account for the Center, separate from any personal bank accounts and/or other business ventures accounts. You must participate in our then-current electronic funds transfer and reporting programs. All royalties, marketing fees, insurance premiums, invoices and processing fees owed, deposits, and any other amounts designated by us must be received or credited to our account by pre-authorized bank debit by end of business on the third day after a royalty period, however, frequency, date and method of collection are subject to change in our Business Judgment (see Attachment 8). You agree to maintain sufficient funds in your authorized accounts to meet your payment obligations under this Agreement. You authorize us to debit your account and to collect the balance of any amounts owed in accordance with this Agreement, if a royalty payment is not received when due, and you have received written notice of such breach and any opportunity to cure provided in this Agreement.

10.9 Late Fee and Interest. Any required payment or report not actually received by us during regular business hours on the date due will be deemed delinquent. If you fail to pay when due any fee or other any other amounts due to us or our Affiliates, or submit required reports when due, we may charge you a late fee equal to the greater of \$25 or 10% of the amount due, plus interest at the rate of 1.5% per month (or the highest rate allowed by law) from the date that the payment or report was originally due until the date we receive payment or the delinquent report. The late fee is subject to inflation adjustment

as provided by this Agreement, but will not exceed any applicable legal restrictions. If you are repeatedly late in paying us, we can require you to pay all amounts by cashier's check.

10.10 Application of Payments, Set-Offs. Except for Marketing and RMA contributions that may only be credited to the Marketing Fund, we can exercise any of the following rights in connection with amounts owed to or from us or any Franchisor Entity by you or any of your Affiliates, no matter how you designate payment. We can: (i) apply any payments received from you to any past-due, current, future or other indebtedness of any kind in our Business Judgment; (ii) apply or set off any past due, current, future or other indebtedness of any kind owed to us or any Marketing Fund from any amounts that may be owed or due to you from us or from National Logistics Services; and (iii) retain any amounts received for your account, whether rebates from suppliers or otherwise, as a payment against any amounts owed to us or any of our Affiliates.

10.11 Inflation Adjustments. Amounts specified as being subject to inflation adjustment may be adjusted by us annually in our Business Judgment in proportion to the changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor (or any successor index) as compared to the previous year. We will notify you of any such inflation adjustment.

10.12 Supplier Payments. You agree to promptly and fully pay any and all amounts due to any suppliers authorized by us (including all shippers). You may be required by us or a supplier to authorize an electronic method of payment to us and/or the supplier if the applicable product or service is provided in connection with a pricing incentive or other program. Non-payment of any amount due to any supplier is a material default under this Agreement.

11. THE CENTER — IMAGE AND OPERATION.

11.1 System Compliance, Regular Upgrading.

A. You agree to operate the Center in full compliance with the then-current System and the Manuals. You agree to promptly comply at your expense with all then-current requirements, standards and operating procedures relating to the Center and its operations (including use of specified equipment, Products and Services, Technology, transactional information entry, supplier programs and operating systems; sales fulfillment programs; signs, graphics, logos, Trade Dress, designs and advertising/marketing materials and forms; website designs and formats).

B. You will maintain the Center at your expense according to all standards for new Centers and promptly undertake all renovations, refurbishments, remodeling or modifications as are periodically required by us in our Business Judgment. If you fail to do so, we may do so on your behalf. You agree to reimburse us within 10 days of our delivery of an account statement. You will not make any alterations to the Premises or appearance of the Center without our prior written approval.

C. We may condition your participation in any program, or your receipt of any System benefits, on you being in compliance with this Agreement and all other agreements between you and us or any of our Affiliates or Franchisor Entities.

11.2 Designated Equipment, Products, Services and/or Suppliers.

A. The Center must purchase, use, and offer such Designated Equipment, Products and Services, as are periodically specified by us. We may designate a single or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers in our Business Judgment. Such suppliers may include, and may be limited to, us and companies affiliated with us.

B. Designation of a supplier may be conditioned on factors established by us in our Business Judgment, including performance relating to frequency of delivery, standards of service, and payment or other consideration to us or parties designated by us. We may approve, or may withdraw or deny approval of, particular products, services or suppliers in our Business Judgment. We and our Affiliates reserve the right to receive rebates, incentive amounts, discounts and other economic benefits from any supplier.

C. You may request the approval of any product, service or supplier by notifying us in writing and submitting such information and materials we request. We can require you to pre-pay any reasonable fees connected with our evaluation of any proposal. We will notify you of our decision within a reasonable time.

D. You will not make any claims against us with respect to any supplier or related products or services (or our designation of, or our relationship with, any supplier, products, or services). Claims by you with respect to any supplier-related or similar matter will be made only against the supplier in question. You will provide us with written notice before taking any action in connection with such a claim. We will use diligent efforts to assist you in resolving any disputes with suppliers approved or designated by us.

11.3 Purchasing Cooperative. We can require that you join and make required purchases/leases through our purchasing cooperative or other entity designated by us. Such entity may adopt its own bylaws, rules, regulations and procedures, subject to our consent in our Business Judgment. We can require each such entity to submit monthly and annual financial statements, and can require that the annual financial statements be audited, all at the expense of such cooperative. Your failure to pay amounts when due to such cooperative or comply with the bylaws, rules, regulations and procedures of such cooperative is a default under this Agreement. We can offset amounts we owe to you against the amount of your unpaid cooperative obligations.

11.4 Compliance with Laws and Ethical Business Practices.

A. You will operate the Center in full compliance with all applicable laws, ordinances, regulations, industry standards, and certification requirements, including federal laws such as the Fair Labor Standards Act, National Labor Relations Act and Americans with Disabilities Act, and laws and regulations governing matters such as occupational hazards, zoning, construction, business licensing, fictional business names, health, sanitation, safety, minimum wages, overtime, working conditions, workers' compensation insurance, unemployment insurance, discrimination, consumer protection, trade regulation, data protection and data breaches, environmental protection, and the withholding and payment of income, social security, sales, use, property and other taxes. You agree that it is your sole responsibility to identify and obtain all (if any) licenses, permits, authorizations, certifications or otherwise that may be required in connection with

the operation of the Center. You agree to maintain high standards of honesty, integrity, fair dealing, demeanor, and ethical conduct in your business activities. You will notify us immediately of any suspected data breach at or in connection with the Center. You will notify us in writing within 5 days of the commencement of any proceeding or of the issuance of any governmental order or action impacting you or the Center.

B. You agree to comply and assist us in our compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to anti-terrorist activities, including the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury, Federal Maritime Commission and other regulations. In connection with such compliance efforts, you agree not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to your Franchise Business as may be required by us or by law. You are solely responsible for ascertaining what actions must be taken by you to comply with all such laws, orders and regulations, and specifically acknowledge and agree that your indemnification responsibilities as provided in Subsection 8.2 of this Agreement pertain to your obligations hereunder.

11.5 Management and Personnel of The Center, Training.

A. After you open the Center in accordance with Subsection 4.1 of this Agreement, you must personally manage the day-to-day operations at the Center on full-time basis. Absentee management is not permitted.

B. You may operate the Franchise without opening the Center from the completion of Initial Training until the deadline specified in Subsection 11.5.A of this Agreement. During this period, you will focus on relationship building and sales efforts and handle business for your Territory by subcontracting through third-party agents. Under our current program, you will be mentored by a sales coach for a period that we designate in our Business Judgment to develop and implement a sales program for the Center. We may elect to extend the duration of participation or require re-enrollment in the program in our Business Judgment. You are responsible for business development of the Center.

C. You are solely responsible for the hiring and management of your personnel, for the terms of their employment, and for ensuring their compliance with the System. After you open the Center, you are required to employ, on a continuous basis, at least the following key employees:

1. A full time operations person who meets our then-current standards. The operations person will be responsible for performing duties within the physical warehouse including boxing, crating, packaging, and organizing Customers' goods. If such person discontinues employment, you must hire and train a replacement promptly.

2. A part time operations person who must work the number of hours that is appropriate of the business demands and gross volume of the Center. If such person discontinues employment, you must hire and train a replacement promptly.

3. A part time salesperson who must meet our then-current standards and must successfully complete our marketing and sales training program. Your salesperson will also be mentored by a sales coach for a period that we designate in our Business Judgment to develop and implement a sales program for the Center. Your salesperson is responsible for business

development of the Center under your direction. If such person discontinues employment, you must hire a replacement, and must arrange for that replacement to attend our marketing and sales training program, promptly.

11.6 Insurance. You will maintain in-force policies of insurance issued by carriers approved by us covering various risks, as periodically specified by us. We may specify the types and amounts of coverage required under such policies and require different or additional kinds of insurance at any time, including excess liability insurance. Each insurance policy must: (i) except for workers' compensation, employer's liability, comparable and/or employment practices insurance policies, name us and our Affiliates as additional named insureds; (ii) contain a waiver of all subrogation rights against us, our Affiliates and any successors and assigns; and, (iii) provide 30 days' notice to us of any material modifications, cancellation, or expiration of such policies. If you fail to maintain required insurance coverage, we can obtain such insurance coverage on your behalf. You will pay us on demand any costs and premiums incurred by us. Any failure to pay any applicable insurance-related obligations as they become due is a default under this Agreement. Our current insurance requirements include the following:

A. Comprehensive general, public and product liability insurance against claims for bodily and personal injury, death, and property damage caused by or occurring in conjunction with the operation of the Center or otherwise in conjunction with the conduct of business by you under this Agreement, under one or more policies of insurance containing a minimum of \$2,000,000 per occurrence and \$4,000,000 aggregate liability coverage.

B. Property insurance against any claims at the Center included within the classification "Causes of Loss – Special Form," including vandalism, malicious mischief and theft. Such policies will include coverage in an amount not less than 100% of the actual replacement cost thereof. Said coverage will also include property of others in your care, custody or control with a minimum limit of \$400,000, and employee dishonesty coverage with a minimum limit of \$25,000.

C. Motor vehicle liability insurance policies covering each and every owned or non-owned vehicle (owned, non-owned, leased, hired, rented or borrowed) operated by or on behalf of the business conducted under this Agreement and providing protection for injury caused to person or property by such vehicles in the minimum amount of \$2,000,000.

D. Business interruption coverage on an "actual loss sustained" basis for a period of not less than 12 months.

E. Workers' compensation, employer's liability or comparable types of insurance required by the law of the jurisdiction where the Center located and all other insurance coverage that we, your lessor or governing jurisdiction periodically requires of businesses comparable to the Center.

F. Any group-wide or other insurance program that we designate regarding freight or transit damage and related risks.

G. “Bailee’s” coverage insurance policy that is in addition to transit damage insurance. The policy must include coverage of personal property of others in an insured’s care, custody and control that is temporarily at an insured’s Center with a minimum limit of \$400,000, coverage of personal property of others in an insured’s care, custody and control at another location with a minimum limit of \$400,000, and coverage that includes the transportation of personal property of others while in an insured’s auto or truck with a minimum limit of \$400,000.

H. If you provide expanded services of commercial and household moving and other relocation products and services: (i) employment practices insurance (including sexual harassment, wrongful termination and discrimination coverage) in the amount of at least \$500,000 for each incident and at least \$1,000,000 in the aggregate; and (ii) umbrella insurance (covering general liability, auto and employer’s liability) with a minimum limit of at least \$2,000,000.

I. If you provide Notary services, you must maintain Notary professional liability insurance of at least \$500,000, or the maximum permitted by the state if less than \$500,000.

11.7 Customer Referrals, Special Accounts and Other Programs. We reserve the right to periodically change, modify and/or eliminate any of the terms, conditions and policies related to the programs described in this Subsection 11.7 and in Subsection 3.3, and you agree to comply with any such changes of which you are notified. We may condition your participation in any program, or your receipt of any System benefits, on you being in Good Standing, and not in default of any term of this Agreement or of any other agreement between you and us or any of our Affiliates or Franchisor Entities.

A. We or an Affiliate may choose to offer Franchisor Customer Referrals to you. If you are willing and able to service a Franchisor Customer Referral within your Territory in the manner and time-frame specified and for the price we have quoted you (which price will be less than the total price being paid by the Customer), you agree to accept such Franchisor Customer Referral and perform the work according to the specifications agreed to in advance. If you are not in Good Standing, if you refuse a Franchisor Customer Referral, or if we reasonably believe that you are unable to service a Franchisor Customer Referral for any reason (including because you do not have the capability, resources or are otherwise ineligible), we reserve the right to service such Franchisor Customer Referral ourselves or through another Center, an Affiliated Business or a third party designated by us, regardless of where it or the Customer is located and without any liability to you.

B. We can require you to participate in any system-wide freight and transportation programs, which may include a CFB Program, international ocean program, booking your freight through National Logistics Services, electronic payment or prepayment terms, on line or real time order processing, and on line or electronic database management systems. You agree to execute the then-current documents that may be necessary to participate in these programs, such as Attachment 12 for the international ocean program. We may charge a fee to the extent that we supply or administer any such program/systems. You must pay a CFB Program Processing Fee and CFB Program Deposit as specified in Subsections 10.4.A. and 10.4.B. of this Agreement.

11.8 Customer Satisfaction, Quality Controls. We can institute various programs for auditing Customer satisfaction or other quality control measures. We may require you to pay for such program costs. You agree to request that your Customers participate in any surveys performed by or on behalf of us, using forms prescribed by us periodically. We may require you to participate in any sales fulfillment or other programs related to strategic marketing alliances we negotiate and/or form with other companies, which may include our Affiliates, to attract Special Accounts and other Customers. Such programs may include, but are not limited to, sales fulfillment services connected with online estimating, purchasing, and shipping services systems employed by web-based auction sites or other platforms. Participants in such programs will be required to service each order in the time and manner and for the price and terms provided the consumer through the system. We or the applicable supplier, which may be our Affiliate, can require you to pay a fee for any business supplied to you under this or any other sales generation system. If you are not in Good Standing, or you refuse to service an order, or if we in our Business Judgment reasonably believe that you are unable to service such an order because you do not have the capability, resources or are otherwise ineligible, we reserve the right to satisfy the Customer's needs and have the business fulfilled by servicing such order ourselves or through another Center, a Retail Center, an Affiliate or an Affiliated Business, or other third party designated by us, regardless of where the Special Account or other Customer is located or the Product or Service is to be provided.

11.9 Franchisee Advisory Council. We may, in our Business Judgment, elect to form a FAC to provide Input to us. The FAC will consist of franchisees in Good Standing who are elected by other franchisees in Good Standing to represent their constituents from designated geographical regions throughout the country. The FAC may consist of, but is not required to be represented, by your brand of Center Franchisees. We will have the right to appoint one representative to participate in all FAC meetings and activities as a non-voting participant. We have the authority to change or dissolve the FAC at any time.

11.10 Performance Standards. You acknowledge that Gross Volume is driven by the successful implementation of a focused and aggressive sales and marketing effort. You agree to follow our sales and marketing program, and to maintain and manage an aggressive sales and program in your Franchised Business in order to achieve the following minimum performance standards:

A. You must achieve a minimum Gross Volume of \$150,000 within 1 year after your opening date, a minimum of \$250,000 for your second year of operations, and a minimum of \$400,000 for your third year of operations and for each year thereafter.

B. If your Gross Volume falls below the minimum Performance Standard for a 12 month period, on notice, we will grant you 6 months to increase your Gross Volume to the applicable Performance Standard. During the 6-month correction period, we will offer to you reasonable assistance in your efforts to meet the Performance Standard. If you fail to meet the Performance Standard after the 6-month correction period, we: (i) may elect in our Business Judgment to cancel any and/or all of your territorial or similar rights (including any rights of first refusal), whether arising under this Agreement or under any other agreements between you and us or any of our Affiliates or Franchisor

Entities; (ii) may condition your participation in any program, or your receipt of any System benefits; or (iii) may terminate the Franchise.

C. We have the right to make reasonable adjustments to the Performance Standards by giving 6 months' notice to you. Any revisions may include changes in measurement periods or minimum Gross Volume requirements.

D. If you are servicing more than one Territory, the Performance Standard will apply separately and individually to each Territory.

12. MARKETING.

12.1 Marketing Fund. We have instituted a Marketing Fund that will be used for national marketing, advertising, or other promotional programs for the benefit of the franchise system, the Brand, and the Marks.

A. The purpose of the Marketing Fund is to build the Brand by deploying direct sales strategies in the market place and taking advantage of all marketing opportunities, such as, but not limited to, public relations, print and digital marketing, Internet marketing, social media platforms, online directory listings, other networking platform listings, in-field sales training and support, direct mail, and other media advertising. Funds in the Marketing Fund must be expended before termination of the Marketing Fund only for the purposes authorized by this Agreement.

B. We exercise Business Judgment over all operational, marketing or any other matter relating to the Marketing Fund (consistent with its purposes and the provisions of this Agreement). The Marketing Fund may be used for (among other things); product development; signage; graphics; creation, production, and distribution of marketing, advertising, public relations and other materials in any medium, including print, digital, the Internet, social media platform listings, online directory listings, or other networking platform listings; administration expenses; brand/image campaigns; media; national, regional and other marketing programs; Center national marketing programs; in- and out-bound call centers; ongoing on-site sales and marketing training; in-the-field sales and marketing training; in-the-field sales and marketing support programs; national account sales support, and any other sales training and support we deem necessary for initial and on-going in-the-field sales support; marketing programs and any other activities to promote current or future Centers, the Brand and the Marks; agency and consulting services; research; and any other reasonable purposes approved by us.

C. Materials regarding the availability of franchises may be included in electronic, print or digital advertising and other items produced using the Marketing Fund.

D. We or any Franchisor Entities can provide goods, services, materials, etc. (including administrative services and in-house advertising agency services). We may compensate or reimburse ourselves and/or any Franchisor Entities for salaries, administrative costs, overhead and other expenses incurred in Marketing Fund related programs/activities, including production, research, insurance, and collection expenses, as well as any legal expense related to the activities and purposes of the Marketing Fund (consistent with the provisions of this Agreement), provided that any such compensation must be reasonable in amount.

E. The Marketing Fund will be accounted for separately and may be used to pay all administrative and other costs of the Marketing Fund related to its activities and purposes or as authorized by the relevant franchise agreements. All taxes of any kind incurred in connection with or related to the Marketing Fund, its activities, contributions to the Marketing Fund or any other Fund aspect, whether imposed on us, the Marketing Fund or any other related party, will be the sole responsibility of the Marketing Fund. We may prepare financial statements for the Marketing Fund annually, which will be furnished to you no sooner than 90 days after our fiscal year end, but otherwise within 30 days of your written request. Such statements may be audited if we determine an audit is necessary in our Business Judgment and any related accounting/auditing costs will be paid by the Marketing Fund. No profit, gain, or other benefit will directly accrue to us from the Marketing Fund. Financial management of the Marketing Fund will be our sole responsibility. We may, in our Business Judgment, do any or all of the following on behalf of the Marketing Fund:

1. charge the Marketing Fund for attorneys' fees and other costs related in any way to claims against us or any of the Franchisor Entities regarding the Marketing Fund. However, we will be required to reimburse the Marketing Fund for any attorneys' fees or costs paid by the Marketing Fund in connection with any action in which we are finally found to have acted unlawfully or to be guilty of wrongdoing with respect to the Marketing Fund;
2. manage any surplus or deficit in the Marketing Fund including borrowing, lending, or investing such Marketing Fund amounts;
3. collect any advertising or promotional amounts offered by any supplier based on franchisee purchases. Any such contributions, whether or not made with respect to purchases by you, will not count toward your required Fund contributions;
4. pay the advertising, marketing, public relations and related costs involved in any co-branding, dual franchising, or other such multi-sponsor programs;
5. revise marketing and other programs, or make expenditures from the Marketing Fund;
6. file, manage, or resolve claims for contributions to, against, or with respect to, the Marketing Fund;
7. share costs of joint promotional materials and services or merge with other marketing funds established for Centers or other Affiliated Businesses for use as described in this Subsection 12.1, so long as the restrictions of the relevant franchise agreement(s) continue to apply to contributions made by franchisees under such arrangements;
8. incorporate the Marketing Fund or operate it through an entity separate from us, which is subject to all rights and duties of ours relating to the Marketing Fund;
9. remit to National Logistics Services any amounts for the promotion and sales efforts in securing national account clientele and business; and
10. take such other actions in connection with the Fund as we consider appropriate and consistent with the provisions of this Subsection 12.1.

F. You acknowledge and agree that we have no obligation to ensure that expenditures by the Marketing Fund in any geographic area are or will be proportionate or equivalent to contributions to the Marketing Fund by the Center, or that the Center will benefit directly, indirectly or in proportion to its contribution to the Marketing Fund. You understand that some Centers may have Marketing Fund obligations that are different from yours. We have no obligation to cause other Centers to contribute to the Marketing Fund or engage in local marketing, and we may permit a franchisee to make direct advertising expenditures in place of contributions to the Marketing Fund. All Centers owned by us will make contributions to the Marketing Fund as if they were subject to the then-current form of Franchise Agreement.

G. Neither we nor any of the Franchisor Entities, including the FAC, will be liable for any act or omission in connection with the Marketing Fund which is consistent with this Agreement. You and we expressly agree that none of the relationships with you in connection with the Marketing Fund are in the nature of a trust, fiduciary, or similar special arrangement.

12.2 Your Participation in the Marketing Fund. You agree to participate in all Marketing Fund programs. You have the right to set your own prices, except that you will fully honor all coupons, price reduction and other promotions/programs as directed by us. The Marketing Fund may furnish you with marketing, advertising, and promotional materials; however, we may require that you pay the cost of producing, shipping, and handling for such materials. Subject to the requirement that your contributions will only be spent as authorized in this Agreement, you agree that we may deny to you access to any and all programs and/or materials created by, and benefits of, the Marketing Fund if you are not in Good Standing or in default in any obligations to the Marketing Fund.

12.3 Regional Marketing and Advertising Program. We have the right to institute an RMA on 30 days prior notice to you. We have the right to determine the geographic area for the implementation of an RMA; to determine the scope, content of and guidelines for the implementation of the RMA through the Manuals, in writing or otherwise; and to require that you participate in an RMA as and when it may be established. You will be required to be bound by the decisions of the majority of the members of the RMA regarding expenditures, assessments and dues of the RMA. You will contribute the greater of 1 % of your Gross Volume or your per capital share of the costs incurred by the RMA. Each other commercial center in the RMA's geographic area will contribute equitably, including any commercial center we or any of our Affiliates owns. Such contributions will be calculated and payable according to the guidelines issued by us. Each RMA has the right to require its members to pay additional monthly dues to the RMA. All provisions of Subsection 12.1 of this Agreement will apply to the RMA as appropriate, except that expenditures from the RMA will relate to the region in which the Center is located. We may offset against amounts we or any Affiliate owe to you by the amount of your unpaid RMA contributions. The RMA will operate under governing rules, regulations and procedures that are subject to our consent, and that are available for your review on your request to the RMA. The RMA will be administered by a board of directors selected in accordance with its governing rules, regulations and procedures, or may be administered by a regional licensee if there is one for the RMA's geographic area. Any failure to timely pay amounts due to the RMA, or to comply with the rules, regulations and procedures of

the RMA, will be a breach of this Agreement. Any Centers owned by us or Affiliates will participate in the RMA on the same terms as franchised Centers. Each Center will have one vote on all matters presented to the RMA. We or an Affiliate, as applicable, will have the right to have a representative participate in all RMA meetings, but such representative will be a non-voting participant if we or the Affiliate do not own a Center in the RMA. While neither we nor any Affiliate are required to do so, if we submit any matters for approval to the RMA and approval is granted, the approval will be binding on you. The RMA must abide by all requirements related to the Brand, the Marks, and marketing and image-related advertising requirements as specified by us in the Manuals, in writing or otherwise.

12.4 Your Local Marketing Activities. In addition to paying marketing fees to the Marketing Fund, and paying any RMA fees and/or paying assessments and for directory listings, beginning 90 days after you (i) open the physical warehouse of your commercial center, (ii) assume the operation of an existing commercial center by Transfer, or (iii) convert an existing business to a commercial center, you also must spend at least the minimum monthly amount we designate, in our Manuals, in writing or otherwise, for ongoing local Center marketing, advertising and promotional programs (currently a minimum of \$1,000 per month, or 4% of monthly Gross Volume, whichever is greater). Your marketing, advertising and promotional materials must be in good taste, and must conform to ethical and legal standards. We require you to use our marketing department or other professional suppliers for the creation and production of marketing, advertising and promotional materials. Prior to their use, samples of all marketing, advertising and promotional materials for any media, including print, digital, the Internet, social media listings, online directory listings, and other networking platform listings, not previously prepared or previously approved by us within the immediately preceding 12 months, even assuming they conform to our then-current guidelines, must be submitted to us for our prior written consent. You agree to refrain from using any materials or programs for which you have not obtained our prior written consent or that do not conform to our then-current guidelines. We can require that a brief statement regarding the availability of franchises be included in advertising used by you and/or that brochures regarding purchase of franchises be displayed in the Center. We also may require you to include such advertising in packages and on crates shipped by you.

13. RECORDS AND REPORTING.

13.1 Bookkeeping, Accounting, Reporting and Record Retention Systems. You must obtain and maintain at your sole expense bookkeeping, accounting, reporting and record retention systems conforming to any requirements periodically prescribed by us, including any such electronic systems with online access for us. Such systems may include, but are not limited to, computer, Internet portal technology and point-of-sale systems, online accounting system, and software programs, and may have components only available from us, a Franchisor Entity or designated suppliers. We may charge you a reasonable fee for any Products and Services we furnish to you in connection with the license, modification, maintenance or support of any of the systems. To the extent that any required software programs contain modules for personnel-related functions, such as employee timekeeping, employee scheduling or payroll processing, you will have the

option to use those modules, to use alternate software to handle those functions, or to handle those functions in any other manner that you choose.

13.2 Reports, Financial Statements and Tax Returns.

A. You agree to provide to us such data, information and supporting records regarding the sales and operation of the Center, in such form and format, as we periodically specify in our Business Judgment, including copies of your bank statements, those portions of your income tax returns relating to the Center and the Center's sales tax returns and filings as requested. Our current information requirements include, but are not limited to, the following, and are subject to change by us:

1. Sales and operations reports for each royalty period, due at the same time as the corresponding royalty payment;
2. within 45 days after the end of each calendar quarter, an income statement and balance sheet for that quarter, for the Center, prepared in accordance with generally accepted accounting principles, and certified by you; and
3. within 90 days after the end of each calendar year, annual financial statements including income statement, balance sheet, and income tax return for that calendar year, prepared in accordance with generally accepted accounting principles. You must certify that the statements accurately reflect the financial condition of your Franchise, or you may elect to have the annual financial statements prepared by a certified public accountant at your expense. If you fail to submit annual reports to us, we may charge you a fee of \$500 for each missing document, but not more than \$1,500 per occurrence.

B. We may elect to obtain such information through a variety of methods, including direct online access, email or other electronic transmissions, and written copies. We reserve the right have full access to your cash register, computer and any other systems, and the information and data these systems contain, and to use the information in our Business Judgment.

C. You agree to retain all records of or relating to the Center, including all income, sales and other tax returns, throughout the term of the Franchise and for 2 years after expiration, non-renewal, Repurchase, Termination or Transfer of the Franchise.

D. If we determine, in our Business Judgment, that any information you are required to provide to us is not accurately reported or is otherwise unusable or inappropriate, we may require you, at your expense, to: provide to us financial statement prepared by a certified public accountant, or employ or engage the services of a professional bookkeeper or accountant.

14. INSPECTIONS AND AUDITS.

14.1 Inspections. We and our agents will have the right, at any time during business hours, and without notice to you, to: (i) inspect the Center and related activities and items and record the same; (ii) remove samples for testing and analysis; (iii) interview personnel; (iv) interview Customers; and (v) conduct other reasonable inspection activities. You will cooperate fully in connection with such matters. Your acknowledge

that any feedback, coaching or recommendations given by us or our agents to any personnel of the Center during any inspection will be informational and non-mandatory, but that you may be required to communicate with, give instructions to, train or retrain those personnel during or after the inspection in order to bring the operation of the Center into compliance with the System. We can require you or an individual designated by us to meet at our headquarters or other location designated by us, for the purpose of discussing and reviewing the Center's operations, financial performance and other matters.

14.2 Audits. We and our agents will have the right at any time during business hours, and without notice to you, to inspect and audit business records relating in any way to the Center and the books and records of any person or Business Entity which holds, or does business with, the Franchise. Such business records may include, but are not limited to, bookkeeping and accounting records, sales and income tax records and returns, cash register tapes, bank records, invoices, deposit receipts, marketing or advertising material or supporting invoices, and other records of the Center. Our right to audit includes the right to access all cash registers, computers, bank records, and other equipment by electronic means. You will cooperate fully with such an audit. We may charge you a fee of \$500 per type of document not available on the audit date or within the timeframe requested by us, but in no event an amount greater than \$2,500 per occurrence, within 10 days after receipt of invoice if you fail to provide auditor with requested documentation or if the audit is rescheduled because you were not prepared. You will reimburse us for the cost of the audit or inspection, including the charges of any independent accountants and/or contractors and the travel expenses, room and board, and compensation of our employees performing the audit. An audit will be required before the time of any Transfer of the Franchise. Notwithstanding any provision to the contrary, our audit rights will continue in effect for 2 years after expiration, non-renewal, Repurchase, Termination, or Transfer of the Franchise and any successor Franchise. Our failure to exercise any right to conduct an audit will not act as a waiver of any rights or constitute a lack of diligence for purposes of the delayed discovery doctrine or otherwise.

14.3 Gross Volume Understatements.

A. If any inspection or audit discloses an understatement of Gross Volume, you will pay to us the royalties and marketing contributions due on the understated amount, plus interest, from the date originally due until the date of payment. We may require you to reimburse us for the cost of the inspection or audit, including the charges of any independent accountants, and related travel and per diem charges for our and their employees, if: (i) any inspection or audit is necessary because of your failure to timely furnish required information/reports; or (ii) Gross Volume is understated for any period by more than 2%.

B. In addition to all other remedies and rights of ours hereunder or under applicable law, we may terminate the Franchise if: (i) Gross Volume is understated for any period by more than 5%; or (ii) you do not make a good faith effort in our Business Judgment to correct in a timely manner an accounting or payment discrepancy resulting from an intentional, deliberate, or calculated understatement by you.

15. **TRANSFER**

15.1 Transfers by Us. You specifically acknowledge and agree that we can: transfer any or all of our Intellectual Property or other assets (including the Marks); become a publicly traded company; engage in a private or other placement of some or all of our securities; merge, or acquire other assets or entities (competitive or not); be acquired by a competitive or other entity; or undertake any refinancing, leveraged buy-out or other transaction. We also may, on a permanent or temporary basis, delegate any or all of our duties to another company to perform. In such event, you will look only to such other company for the performance of such duties. This Agreement, and any or all of our rights or obligations under it, are fully transferable by us, in whole or in part, without your consent; provided that any such transferee will appear at the time of the transfer to have financial resources reasonably appropriate to fulfill its obligations under this Agreement. For the purposes of this Subsection 15.1, we will be entitled to rely on financial statements provided to us by the transferee. If we transfer this Agreement, only the transferee will have obligations to you. Our obligations (and those of any of the Franchisor Entities) will be extinguished. You agree that we will have no liability to you resulting from our entering into any transactions permitted hereunder.

15.2 Transfers by You. You, and any of your owners, understand and acknowledge that the rights and duties created by this Agreement are personal to you or your owners and that we have granted rights to you under this Agreement in reliance on the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of you or your owners. Accordingly, you may not Transfer without our prior written approval. Any Transfer without our approval is a default of this Agreement and conveys no rights to or interests in the assets that you purport to convey. You may not, without our prior written consent, advertise in any manner the sale of the Center or the Franchise.

15.3 Conditions for Our Approval of Your Transfer. If you and your owners are in Good Standing, we will not unreasonably withhold our approval of a requested Transfer that meets the requirements of this Subsection 15.3. No Transfer releases you or any other party to the Transfer of the obligations or covenants in this Agreement, unless there is a specific written release by us. If the Transfer is of a controlling interest in you, or is one of a series of Transfers that in the aggregate constitute the Transfer of a controlling interest in you, all of the following conditions must be met before, or concurrently with, the effective date of the Transfer:

A. You and your owners are required to give us 90 days' notice of any intended Transfer. You are required to notify us in writing of receipt of an offer to buy within 15 days of receipt, and provide us with a copy of the executed offer. You are required to give us written notice simultaneously with any offer to sell made by you, for you or on your behalf, and to provide us with a copy of the executed offer. You are also required to give us a copy of the prospectus or any other documents, and/or reports presented to the prospective transferee on our request. You agree to indemnify and hold harmless us and any Franchisor Entities for your failure to comply with these requirements.

B. The proposed transferee (or its owners if the transferee is a Business Entity) must be individuals of good moral character and otherwise meet our then-applicable standards for franchisees.

C. The transferee, including all its officers, directors, shareholders, members or partners, will jointly and severally execute our then-current franchise agreement and ancillary agreements, which will supersede this Agreement. Our then-current franchise agreement may contain changes, such as changed fee, payment, operational and reporting requirements. You and your owners may not represent to a transferee that the transferee will be granted rights to the Territory, because a territory different from the Territory designated on Attachment 3 may be granted to the transferee under our then-current franchise agreement.

D. You must meet all payments, including royalty fees, marketing fees, insurance premiums, CFB invoices, amounts for purchases and any other amounts owed to us and any of our Affiliates, and all reporting obligations under this Agreement and any other agreements between you and us or any of our Affiliates. Promissory notes will be accelerated and paid in full.

E. All obligations to third parties in connection with the Center must be satisfied and/or assumed by the transferee.

F. If consent is required by the terms of the lease for the Premises, the lessor must have consented to the assignment or sublease of the Premises to the transferee.

G. In lieu of an initial fee, you or the transferee must pay us a transfer fee of 15% of the then-current initial franchise fee for a standard Center Franchise; provided, however, that if you or the transferee qualifies for the VetFran program, a 20% discount will be applied to the transfer fee but in no event will more than one VetFran discount be applied to the transfer fee.

H. You and your owners must execute a General Release, in form satisfactory to us, of any and all claims against us and any Franchisor Entities.

I. You and your owners (if transferring), or any transferring owner, must execute a non-competition covenant in substantially the form of the Non-Competition and Non-Solicitation Agreement (Attachment 11) in favor of us and our Franchisor Entities and the transferee agreeing, for not less than a continuous 2 year period after the Transfer, not to have any interest, either directly or indirectly, or through family relationships, as an employee, manager, consultant, operator, lender, investor, financier, representative, disclosed or beneficial owner, part owner, proprietor, partner, principal, officer, director, co-venturer, stockholder (except as the owner of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of that class of securities), member, agent, participant or in any other capacity, in a Similar Business, that is located within a radius of not less than 15 miles of: a) the Center or b) any Center in operation or under construction on the effective date of the Transfer.

J. The transferee, or other individuals who will be the actual managers of the Center, must successfully complete the initial training program then in effect before the Transfer or before the transferee's assumption of operational responsibility for the

Center. If we authorize the transferee or the individuals who will be the actual managers of the Center to attend the initial training program after the Transfer, the transferee or such individuals must attend the initial training program within 90 days after the Transfer. The transferee must pay to us a \$4,000 training and processing fee before attending the initial training program or before the Transfer, whichever occurs first. The training and processing fee is non-refundable.

K. You or the transferee, must, within the time specified by us, upgrade the Center and its operations, add or delete equipment, change signage or graphics, and any other requirements, to comply with our then-current specifications and standards for new Centers.

L. You and the transferee must use the services of an Escrow Agent to administer certain aspects of the transfer process including the exchange of monies, execution of transfer documents, and other related items. You must pay any fees charged by the Escrow Agent (typically \$1,000 to \$3,000, depending on documents required by the locality and other factors) unless the transferee agrees to pay the fees. You must notify us of the Escrow Agent's contact information, and copies of fully executed escrow instructions be on file with us before the transferee attends initial training. You and the transferee must authorize Escrow Agent to release to us copies of any documents related and/or submitted to Escrow Agent for the Transfer.

M. Before or at initial training, the transferee must pay to us the New Center/New Owner Marketing Program Deposit in accordance with Subsection 10.6 of this Agreement.

N. Before or at initial training, the transferee must pay the then-current Technology license transfer fee for a Center to: (i) us in accordance with Attachment 6, and/or (ii) the approved supplier, as applicable.

O. Before or at initial training, the transferee must deposit with us a CFB Deposit as part of our CFB Program in accordance with Subsection 10.4.B of this Agreement.

P. We will transfer all National Convention Participation Deposits to the transferee's account in accordance with Subsection 10.5 of this Agreement, but you may negotiate with the transferee an amount to be reimbursed to you through the Escrow Agent as an adjustment to the sales price at closing.

Q. If, for any reason, you regain ownership or control of the Center after an approved Transfer (even if the Center is relocated), you will continue to be bound by the terms and conditions of this Agreement.

R. If you utilize the services of any of our sales consultants (including approved outside agencies or brokers) in completing the Transfer then you or the transferee must reimburse us an amount equal to any commission or other sales compensation which we must pay to such persons by virtue of this Agreement or any other contract with such party before the Transfer.

15.4 Transfer to a Business Entity.

A. The Franchise, and the assets and liabilities of the Center, may be assigned to a Business Entity that conducts no business other than operation of the Center and other businesses franchised by us. You must deliver to us copies of organizational documents of such Business Entity, certified by the appropriate governmental authority, and other documents of the legal entity as we require. The bylaws or other organizational documents of the legal entity will recite that the issuance and assignment of any interest therein is restricted by this Agreement and all stock certificates, or other evidence of ownership of such Business Entity, will bear a legend reciting or referring to the restrictions.

B. If you are a Business Entity, one individual, approved by us, must, at all times, own and have the right to exercise the voting power over at least 51% of the ownership interests of the Business Entity. You, or an individual approved by us, must actively manage the Business Entity. You must furnish to us, at any time on request, in such form as we may require, a list of all members, partners, shareholders or other owners (of record and beneficially) reflecting their respective interests in you. Each of your members, partners, shareholders or owners at any time during the term of the Franchise must execute a Continuing Personal Guarantee (Attachment 2) undertaking to be bound jointly and severally by all provisions of this Agreement.

C. You must execute and deliver all then-current documents we require. You must pay to us the then-current legal entity transfer fee in lieu of the transfer fee described in Subsection 15.3.J. of this Agreement only if the documents are not completed and delivered within 90 days after (i) open the physical warehouse of the Center, (ii) the closing of escrow on the Center after a Transfer, or (iii) the conversion of an existing business to a Center.

D. **Non-Controlling Ownership Change.** If you seek to Transfer less than a controlling ownership interest in the Franchise and/or Center, you must provide documentation as required by us, execute and deliver all then-current documents required by us and pay us the then-current non-controlling ownership change fee in lieu of the transfer fee defined in Subsection 15.3.J. of this Agreement. If you are a Business Entity, and you seek to change the name of your Business Entity without changing the controlling ownership in the Franchise and/or the Center, you will pay to us our then-current entity name change transfer fee.

15.5 Family Transfer. Notwithstanding the provisions of Subsection 15.3 of this Agreement, if you seek to Transfer controlling interest to an Immediate Family Member, then you or transferee will pay to us the then-current family transfer fee in lieu of the transfer fee defined in Subsection 15.3.J. of this Agreement.

15.6 Death or Disability of Franchisee. On your death or Permanent Disability, or if you are a Business Entity, the death of Permanent Disability of an owner of a controlling interest in you or the Franchise, your executor, administrator, conservator, guardian or other personal representative must transfer your ownership interest to a third party approved by us within a reasonable time, not to exceed 6 months from the date of death or Permanent Disability. Transfer of such interest in the Franchise or you (including a Transfer by bequest or inheritance) will be subject to all the terms and conditions of

Subsection 15.3 of this Agreement. Failure to transfer within said period of time may constitute a default of this Agreement.

15.7 Effect of Approval to Transfer. Our approval of the Transfer will not constitute a waiver of any claim we or any Franchisor Entities may have against the transferor, nor will it be deemed a waiver of our or any Franchisor Entities' right to demand exact compliance with any of the terms or conditions of the new franchise agreement by the transferee. Neither we nor any Franchisor Entities will have any liability to you or any proposed or actual transferee in connection with our examination or possible approval or withholding of approval involving any Transfer, or our exercise of any right of ours, which is consistent with this Agreement. You agree to indemnify and hold us harmless from any liability to you, the proposed transferee or otherwise.

15.8 Our Right of First Refusal. During the initial or any renewal term of the Franchise, if you or your owners at any time determine to do a Transfer, your or your owners will obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and will submit an exact copy of the offer to us. We will have the right, exercisable by written notice given to you or your owners within 30 days from the date of delivery of an exact copy of the offer to us, to purchase the offered interest for the price and on the terms and conditions contained in the offer. Our credit will be deemed equal to that of any proposed purchaser, and we will be entitled to Customary Representations, Warranties and Agreements. We may substitute cash for any form of payment proposed in the offer and will have not less than 60 days to prepare for closing. If we do not exercise our right of first refusal under this Subsection 15.9, you or your owners may complete the sale to the purchaser under and in compliance with the offer submitted to us, subject to our approval of the purchaser as provided in Subsection 15.3 of this Agreement. If the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms and conditions of the sale, we will again have the right of first refusal. Our right of first refusal is assignable separate and apart from the remainder of this Agreement.

16. RENEWAL OF FRANCHISE.

16.1 Your Right To Renew. You have the right to renew the Franchise for an additional 20-year renewal term under the following terms and conditions:

A. You have substantially complied with all of the provisions of this Agreement and all other agreements between you and us or any of our Affiliates or Franchisor Entities during the term of the Franchise, and remain in Good Standing up to the date of renewal;

B. You have given to us notice of renewal as provided in Subsection 16.2.A of this Agreement, and we have not given notice to you of our refusal to renew;

C. You have maintained possession of the Center, and by the expiration of the Franchise, have brought the Center into full compliance with then-applicable Brand Standards; or if you are unable to maintain possession of the Center or if, in our Business Judgment, the Center should be relocated, you have secured substitute Premises approved by us before the expiration of the Franchise;

D. You have executed the renewal franchise agreement and General Release as provided in Subsection 16.3 of this Agreement; and

E. You have paid to us a \$5,000 renewal fee.

16.2 Notices by You and Us.

A. If you desire to renew the Franchise on the 20-year anniversary of the Effective Date of this Agreement, you must give to us notice of your desire to renew not more than 12 months and not less than 6 months before the 20-year anniversary of the Effective Date of this Agreement.

B. Within 90 days after receipt of timely-given notice, we will give to you notice of: 1) any deficiencies which require correction and a schedule for correction of the deficiencies by you, and 2) our then-current Design Standards for the Brand.

16.3 Renewal Agreement and General Release. To renew the Franchise, you, your owners will execute: (i) our then-current franchise agreement (which may contain provisions, including royalty and marketing fee provisions, that are materially different from those contained in this Agreement) and any ancillary agreements and other legal documents then customarily used by us in the grant of a Franchise for the operation of a new Center under the designated Brand (with appropriate modifications to reflect the fact that the franchise agreement relates to the grant of a renewal term), and (ii) a General Release, satisfactory to us, of any and all claims against us and any of our Franchisor Entities.

16.4 Notice of Non-Renewal.

A. If you do not desire to renew the Franchise, you may give to us notice of your desire not to renew the Franchise not more than 12 months and not less than 2 months before the 20-year anniversary of the Effective Date of this Agreement. If you timely give such notice, the term of the Franchise will expire on such 20-year anniversary.

B. If we believe there are sufficient grounds for non-renewal, we will give to you notice of our decision not to permit renewal of the Franchise at least 90 days before the 20-year anniversary of the Effective Date of this Agreement, which notice will specify the reasons for the decision and whether or not you can cure any deficiencies. If we give notice of non-renewal, and if the reasons given for the decision are not curable or you fail to cure any conditions that are curable, the term of the Franchise will expire on the 20-year anniversary of the Effective Date of this Agreement.

C. If you do not timely give notice of your desire to renew or your desire not to renew, or if you fail to cure any deficiencies by the 20-year anniversary of the Effective Date of this Agreement, the term granted under this Agreement will continue until we elect to terminate the Franchise on 60 days' notice to you.

17. TERMINATION OF THE FRANCHISE.

17.1 Default with No Opportunity to Cure. We may, in our Business Judgment, terminate the Franchise, effective upon giving written notice of Termination to you, if you or any of your owners:

- A. make any material misrepresentation or omission in your application for the Franchise, including failure to disclose any prior material litigation or criminal convictions;
- B. are judged bankrupt, become insolvent, make an assignment for the benefit of creditors, are unable to pay debts as they become due, a petition under any bankruptcy law is filed by or against you or a receiver or other custodian is appointed for a substantial part of the assets of the Center;
- C. are convicted of, or plead no contest to, a felony, or to any crime or offense that is likely to adversely affect your reputation or any owner, the Center, us or the goodwill associated with the Brand or the Marks;
- D. engage in any misconduct which unfavorably affects your reputation, the Center, us or the goodwill associated with the Brand or the Marks (including child abuse, drug or alcohol abuse, or permitting unlawful activities at the Center);
- E. commit any act of fraud or misrepresentation or material omission, whether with respect to us, any of the Franchisor Entities or any third party, including misrepresentation of Gross Volume;
- F. make an unauthorized use of the Brand or the Marks, or any unauthorized copy, use or disclosure of any Confidential Information;
- G. fail to timely meet the site selection, development, opening and other requirements provided in Section 4 of this Agreement;
- H. abandon or fail to operate the Center for more than 10 consecutive calendar days; or surrender control without our prior written approval; or make, or attempt to make, an unauthorized Transfer;
- I. lose the right to possession of the Premises, or the lease or sublease for the Premises is terminated or expires during the term of the Franchise, and no substitute location has been consented to by us in writing and occupied by you before the termination or expiration of such lease or sublease;
- J. violate any of the In Term or Post Term Restrictions against competition provided in Subsection 9.2;
- K. fail to permit, or to cooperate with us or our designee, in any audit or inspection, or fail to retain or to produce on request any records required to be maintained by you pursuant to this Agreement;
- L. fail to attend two consecutive national conferences or two consecutive regional meetings;
- M. fail to attend and successfully complete initial training or post training follow up training sessions;
- N. have 10 or more material Customer complaints (i.e., complaints relating to actions that we reasonably believe in our Business Judgment to be damaging to

the Brand or the Marks) with respect to the Center in any 12-month period, whether or not resolved; or

O. have committed 3 or more defaults within any 12 consecutive month period, or 4 or more defaults within any 24 consecutive month period, whether or not any of the defaults are cured, and whether or not any default is the same as or similar to a prior default.

17.2 Default with 10-Day Right to Cure. We may terminate the Franchise, subject to our giving you subsequent written notice of Termination, if you or any of your owners fail to or refuse to correct the following within 10 calendar days after written notice of default is given to you:

A. maintain required insurance, or pay premiums for freight insurance, or participate in our approved insurance program;

B. correct any condition that, in our reasonable judgment, might pose a danger to public health or safety; provided, however, that we also may require you to immediately cease operations until such default is fully cured;

C. report Gross Volume accurately or submit any other report due under this Agreement or any lease/sublease in accurate and complete form and when required;

D. make payments of any amounts due to us, any Franchisor Entity or our designees; or

E. comply with the dispute resolution provisions of this Agreement.

17.3 Default with 30-Day Right to Cure. We may terminate the Franchise, subject to our giving you subsequent written notice of Termination, if you or any of your owners do not cure any of the following within 30 calendar days after written notice of default is given to you:

A. default under the lease or sublease for the Center within the applicable cure period set forth in the lease or sublease. If the applicable cure period set forth in the lease or sublease is less than 30 days, then that applicable cure period will apply;

B. delinquency in your obligations to any taxing authorities, landlords, equipment lessors, suppliers, creditors or others;

C. failure to replace your operations person or salesperson within 60 days if either or both discontinues employment with your Franchised Business;

D. failure to use the software, hardware, Internet portal technology, communications devices, or other systems designated for use by you in the operation of the Center, or to use the same according to any applicable license and/or terms of use; or

E. failure to comply with any other provision of this Agreement, any other agreement with us or any Affiliate of ours, or any standard, specification, policy or

procedure prescribed by us in the Manuals, in writing or otherwise, which does not provide for a shorter notice period.

17.4 Cross-Defaults. Any default by you or any owner or Affiliate of yours under this Agreement can be regarded by us as a default under any other agreement between us or any Franchisor Entities and you or any owner or Affiliate of yours. Similarly any such default under any other agreement or any other obligation between us or any Franchisor Entities and you or any owner or Affiliate of yours can be regarded as a default under this Agreement. Any default by you or any owner or Affiliate of yours under any lease, sublease, loan agreement, or security interest relating to the Center can be regarded as a default under this Agreement, regardless of whether or not any such agreements are between you or any owner or Affiliate of yours and us or any Franchisor Entities.

17.5 Non-Exclusive Remedies. Whenever we have a right to terminate the Franchise, we and any Franchisor Entity will have all remedies allowed at law and in equity. No right or remedy which we and/or any Franchisor Entity may have under this Agreement or otherwise is exclusive, and we or any Franchisor Entity may pursue any rights or remedies available at law or in equity, including Termination. If we have the right to terminate the Franchise, we can elect in our Business Judgment to cancel any and/or all of your territorial or similar rights (including any rights of first refusal), whether arising under this Agreement or under any other agreements between you and us or any of our Affiliates or Franchisor Entities.

17.6 No Equity on Termination. Your rights regarding the Franchise are controlled by the provisions of this Agreement. You will have no equity or any other continuing interest in the Franchise, any goodwill associated with it, or any right to compensation or refunds at expiration, non-renewal, Repurchase, Termination or Transfer of the Franchise.

17.7 Extended Cure Period. Notwithstanding anything to the contrary in this Agreement, we reserve the right to grant to you in our Business Judgment an extended cure period for any breach. You acknowledge that our decision to grant such an extended cure period will not operate as a waiver of any of our rights and that we can choose to condition any such an extension on the signing of a General Release by you, each owner and Affiliates of yours.

17.8 Management of the Center After Certain Events. To assure protection of your Customers, the Marks and System for your benefit and all other Centers, you hereby make, constitute and appoint us, or our designee, as your true and lawful attorney-in-fact, with the powers set forth below, which may, in our Business Judgment, be exercised if: (i) you are indicted for or charges are filed against you alleging that you committed a criminal act that could involve imprisonment for more than 30 days; (ii) charges are brought by any federal, state or local authority that could affect any licenses to operate the Center; (iii) you, or any Operations Manager having responsibility for day-to-day management, become mentally or physically incapacitated, die or are Permanently Disabled; or (iv) we issue a notice of Termination.

A. On the occurrence of any of the foregoing events, we may, but are not obligated to, take possession and control of and operate the Center for your benefit.

Such right will continue only for such period of time as the reason or reasons for our taking possession and control of the Center, as set forth above, continues.

B. If we take possession and control of the Center, we will act diligently, in good faith and honestly in our actions hereunder; provided, however, that we will only have a duty to use reasonable efforts and will not be liable to any creditor of yours or for any debts, losses or obligations incurred by the Center; and provided further, that we may terminate our management of the Center at any time. In addition, this Subsection 17.8 will not limit or affect any of our rights under this Agreement, including indemnity or the right to terminate the Franchise.

C. All revenue received by the Center while we (or our designee) are managing the Center will be kept in a separate fund. All Center expenses, including compensation, travel and living expenses for our appointed manager may be paid out of such fund. We may levy the then-current management fee per day per person. If such fund is insufficient to pay Center expenses, we will notify you. You must, within 5 business days, deposit such amounts as will be required by us to attain a reasonable fund balance.

17.9 Our Rights On Your Default. On issuance of a notice of Termination, in addition to all other rights and remedies, we and any Franchisor Entities have the right to: (i) require that you pay cash on delivery (COD) or by certified check for any goods or services related to the operation of the Center, or (ii) stop selling and/or providing any goods or services to you until you have cured all defaults. you agree that you will not be relieved of any obligations under this Agreement because of any such action and that no such action by us and/or any Franchisor Entity will be a constructive Termination of the Franchise, nor may you characterize such action as a change in competitive circumstances.

17.10 Disclaimer. We disclaim any right under this Agreement to terminate the Franchise based on any decision or action by you regarding recruiting, interviewing, hiring, determining the terms of employment of, compensating, keeping the time of, processing the payroll of, providing work resources to, scheduling, supervising, disciplining or firing your personnel.

18. RIGHTS AND OBLIGATIONS ON EXPIRATION, NON-RENEWAL, REPURCHASE, TERMINATION OR TRANSFER OF THE FRANCHISE.

You acknowledge that we have a substantial interest in maintaining the value of any and all goodwill associated with, or otherwise derived from, the operation of the Center under the System using our Marks, Intellectual Property and/or Confidential Information, on any expiration, non-renewal, Repurchase, Termination or Transfer of the Franchise.

18.1 Payments of All Amounts Owed. Within 10 days after the expiration, non-renewal, Repurchase, Termination or Transfer of the Franchise (or within 10 days after such amounts can be determined), you must pay all royalties, marketing contributions and all unpaid amounts of any kind owed to us and/or any Franchisor Entities, and we may accelerate the balance of any promissory notes owed to us.

18.2 Intellectual Property and Confidential Information. After any expiration, non-renewal, Repurchase, Termination or Transfer of the Franchise:

A. You agree to immediately and permanently discontinue operation of the Center and any use of the Intellectual Property and/or the Confidential Information, and will not thereafter use any similar or derivative Marks, or colorable imitations of any of the Intellectual Property in any medium or manner or for any purpose, and agree to furnish to us satisfactory evidence of your compliance within 30 days.

B. You agree not to identify yourself, or any business you may operate or in which you may become involved, or to advertise or promote yourself in any manner, as a present or former franchisee as to any of the Brands or Marks.

C. To the extent such materials have not been assigned in connection with a Repurchase or an authorized Transfer, you must return to us, at your expense, or (at our option) destroy all software, the Manuals, forms, materials, signage, graphics, and any other items containing any Intellectual Property or Marks, or otherwise identifying or relating to a Center, and must furnish to us satisfactory evidence of your compliance within 30 days.

D. You must take such actions as may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark which have not been assigned in connection with a Repurchase or an authorized Transfer, and must furnish to us satisfactory evidence of your compliance within 30 days.

E. Unless the Center is repurchased or transferred, or we direct otherwise, you must promptly, at your expense, remove from the Premises any distinctive signage, graphics, physical and/or structural features associated with the Trade Dress of a Center, so that the Premises are clearly distinguished from other Centers and will not create any public confusion, and must furnish to us satisfactory evidence of your compliance within 30 days.

F. You will furnish to us, at our request, a copy of the Center's sales history and Customer database for the most recent 2-year period (or shorter period, if applicable) prior to the effective date of any expiration, non-renewal, or Termination of the Franchise.

18.3 Numbers. To the extent the Numbers are not assigned in connection with a Repurchase or an authorized Transfer, you must promptly transfer, call-forward, discontinue or otherwise deal with the Numbers as we direct after any expiration, non-renewal, Repurchase, Termination or Transfer of the Franchise. By signing this Agreement, you irrevocably appoint us your attorney in fact to take any such actions regarding the Numbers if you do not do so within 10 days after the expiration, non-renewal, Repurchase, Termination or Transfer of the Franchise. You agree that all service providers may accept this Agreement and Attachment 4 as conclusive evidence of our exclusive rights in such Numbers. You agree to provide to us any other assistance, documentation, or information required to effectuate the transfer of these items.

18.4 Continuing Obligations.

A. All obligations and rights which expressly or by their nature survive the expiration, non-renewal, Repurchase, Termination, mutual rescission, or Transfer of the Franchise will continue in full force and effect until they are satisfied or by their nature

expire (including indemnity, non-competition, our rights to the Marks, confidentiality rights and obligations, dispute resolution provisions, and the rights and obligations in Attachment 11). These obligations will continue notwithstanding any rejection of this Agreement in a bankruptcy proceeding or otherwise.

B. If the Franchise is terminated because of your default and you continue to operate, or if you make an unauthorized Transfer, you agree that it would be commercially unreasonable and damaging to the integrity of the System if you could escape the financial consequences of your contractual commitment to obligations for the term of the Franchise. Accordingly, you will not be released or discharged from your obligations under the Agreement for the remainder of the term, including payment of all amounts then due and other amounts which would have become due under this Agreement if you had continued in operation for the full term. Our remedies will include (but are not limited to) the right to collect the present value of these amounts and to receive the benefit of our bargain with you.

C. If we choose in our Business Judgment to waive our rights to collect any amounts that would have become due if you had continued to operate the Center, you and each of your owners/Affiliates agree to sign a General Release. We may exercise this option at any time.

D. If you continue to operate any business using any of the Intellectual Property, the Brand, the Marks, Confidential Information or any aspect of the System, our remedies will include but will not be limited to recovery of the greater of: (i) all profits earned by you in the operation of such business, or (ii) all royalty fees, marketing fees, and other amounts which would have been due as if this Agreement remained in effect.

18.5 Right Of Entry, Operation And Sale

A. If the Franchise expires, is terminated, or is not renewed, then we or our representative(s) may, at any time, in our Business Judgment, without prior notice and forcibly, if necessary, enter and operate the former Center, at your sole risk and expense, without any responsibility for any actual or consequential damages to your property or otherwise, and without liability for trespass or other tort or criminal act. At our option, you will assign to us any interest which you have in any lease, sublease, right of entry or easement for the Premises of the Center, and will vacate the Center promptly and completely, rendering all necessary assistance to us to enable us to take prompt possession thereof.

B. We will have the discretionary right, for a period of up to 180 days after entry under this Subsection 18.5, to operate the Center. During that period, we will attempt to sell the Center at Fair Market Value. During our period of operation, you will be responsible for any operating losses incurred by the Center, you will pay a reasonable daily management fee to us (\$250 per day as of the date of execution of this Agreement), and you will pay all travel, room, board and other expenses reasonably incurred by us or by our agents or representative(s) while we are operating the Center. If no bona fide offer is received within 4 months after the effective date of expiration, Termination or non-renewal, then we may sell the Center at a price substantially below the appraised value of

the Center, or in our Business Judgment, we may liquidate any or all of the assets of the Center.

C. The proceeds derived from the sale of the Center or any assets of the Center, as well as any operating profits, will first go to satisfy amounts you owe to us or our Franchisor Entities (including any operating losses, and the management fees and expenses referenced in this Subsection 18.5), and will then go to satisfy amounts you owe to other creditors and/or Affiliates. Any remaining balance will be paid to you.

You expressly acknowledge that your failure or unwillingness to abide by the provisions of this Subsection 18.5, in whole or in part, will cause irreparable injury to us and our interest in, and ownership of, the goodwill established at the Center. Accordingly, you consent to the issuance by any arbitrator or court of competent jurisdiction, at your expense, of: (i) any ex-parte or other orders authorizing us and/or our agents or representatives to take such actions to effectuate the terms of these provisions; or (ii) any orders requiring you to render any necessary assistance to us (including making valid requests to others who are not parties to this Agreement) to effectuate the terms of these provisions, if we seek such orders.

18.6 Lien for Costs and Expenses. In the event of any default by you of any provision in this Section 18, you agree to pay to us, in addition to those sums due to us under Section 19 of this Agreement, all damages, costs and expenses (including reasonable accounting, expert and witness fees, and reasonable attorneys' fees) incurred by us through appeal as a result of the default, which obligation will give rise to and remain, until paid in full, a lien in our favor against any and all of the personal property, furnishings, equipment, signs, fixtures and inventory owned by you or the Center at the time of the default and/or against any of your monies held or otherwise in our possession.

19. ENFORCEMENT.

For purposes of this Section 19, the terms "you" or "your" will be deemed to include, as the case may be, one or more individuals, your Business Entity, your owners, Affiliates and their respective employees. The terms "we," "us" or "our" will be deemed to include "Franchisor Entities."

19.1 Severability And Substitution of Valid Provisions. Except as expressly provided to the contrary in this Agreement, each Section, Subsection and provision of this Agreement, and any portion thereof, will be considered severable and if, for any reason, any such part of this Agreement is held to be invalid, contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, arbitrator, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling will not impair the operation of, or have any other effect on, such other parts of this Agreement as may remain otherwise intelligible, which will continue to be given full force and effect and bind the parties hereto, although any part held to be invalid will be deemed not to be a part of this Agreement from the date the time for appeal expires, if you are a party thereto, otherwise on your receipt of a written notice of non-enforcement thereof from us.

You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the

provisions of this Agreement, or any specification, standard or operating procedure prescribed by us, any portion or portions which a court or arbitrator may hold to be unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or arbitration order. Such modifications to this Agreement will be effective only in such jurisdiction, unless we elect to give them greater applicability, and will be enforced as originally made and entered into in all other jurisdictions.

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the expiration, non-renewal, Repurchase, Termination or Transfer of the Franchise, or the taking of some other action not required hereunder, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the prior notice and/or other action required by such law or rule will be substituted for the comparable provisions of this Agreement, and we will have the right, in our Business Judgment, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable.

19.2 Waiver Of Obligations. You and we may by written instrument waive or reduce any obligation of or restriction on the other under this Agreement, effective on giving written notice thereof to the other or on such other effective date stated in the notice of waiver. Any waiver granted by us will be without prejudice to any other rights we may have, will be subject to continuing review by us and may be withdrawn, in our Business Judgment, at any time and for any reason, effective on giving you 20 days' notice. You and us will not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including the right to demand exact compliance with every provision, condition and covenant in this Agreement or to declare any default thereof to be a default and to terminate the Franchise before the expiration of its term) by virtue of any custom or practice of the parties at variance with the provisions of this Agreement; any failure, refusal or neglect of us or by you to exercise any right under this Agreement or to insist on exact compliance by the other with its obligations hereunder including any mandatory specification, standard or operating procedure; any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, with respect to other Centers; or the acceptance by us of any payments due from you after any default of this Agreement.

19.3 Force Majeure. Neither us nor you will be liable for loss or damage or deemed to be in default of this Agreement if its failure to perform its obligations results from: 1) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material or energy or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state, or municipal government or any department or agency thereof; 2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency thereof; 3) acts of God; 4) fires, strikes, embargoes, war or riot; or 5) any other similar event or cause. Any delay resulting from any of said causes will extend performance accordingly or excuse performance in whole or in part, as may be reasonable, except that said causes will not excuse payments of amounts owed at the time of such occurrence or payment of royalties due on any sales thereafter.

19.4 Rights Of Parties Are Cumulative. Our rights and your rights hereunder are cumulative and no exercise or enforcement by us or you of any right or remedy hereunder will preclude the exercise or enforcement by us or you of any other right or remedy hereunder which we are or you are entitled by law to enforce.

19.5 Costs And Attorneys' Fees. If a claim for amounts owed by us or by you is asserted in any judicial proceeding, arbitration or appeal thereof, or if either party seeks to enforce or interpret this Agreement or Continuing Personal Guarantee (Attachment 2) in any judicial proceeding, arbitration or appeal thereof, the party substantially prevailing in such proceeding will be entitled to reimbursement of its costs and expenses from inception of the claim through appeal, if any, including attorneys' fees, reasonable accounting, expert and witness fees.

19.6 You May Not Withhold Payments. You agree that you will not, on grounds of the alleged nonperformance by us of any of its obligations under this Agreement, withhold payment of any royalty fees, marketing fees or contributions, insurance premiums, CFB invoices, CFB processing fees, amounts due to us or any of our Affiliates for purchases by you, or any other amounts due to us or any of our Affiliates.

19.7 Dispute Resolution.

A. **Court Actions.** Any party may, but is not required to, submit to any court of competent jurisdiction any controversy, dispute or claim involving a request for: (1) monetary relief concerning the Marks, the Manuals, Confidential Information, or restrictive covenants, or (2) a restraining order or other injunctive relief concerning the Marks, the Manuals, Confidential Information, or restrictive covenants.

B. **Injunctive Relief.** Nothing contained in this Agreement will bar our or your right to obtain injunctive relief against threatened conduct that will cause irreparable loss or damages, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may have such relief, without bond, but on due notice, in addition to such further and other relief as may be available at equity or law, and that your sole remedy in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, on hearing duly had, and all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby. Any action for such injunctive relief will be submitted to a court as provided in Subsection 19.7.A of this Agreement, or to the American Arbitration Association ("AAA") as provided in Subsection 19.7.C of this Agreement.

C. **Arbitration.** Except as provided in Section 17.A and Section 17.B any and all controversies, disputes or claims between us (and the Franchisor Entities, if applicable) and you (and/or your Affiliates, if applicable) arising out of or related to this Agreement or any other agreement between the parties or any provision of such agreements; the relationship of the parties hereto; the validity of this Agreement or any other agreement between the parties or any provision of such agreements; any specification, standard or procedure relating to the establishment or operation of the Center; a request for monetary relief concerning any lease of real estate; and/or enforcement of and/or relief under any provision in Sections 15 and 16 of this Agreement, including any claims for loss of goodwill and related damages will be submitted for arbitration, as the

parties' sole and exclusive remedy, to the San Diego, California office of the AAA on demand of either party, and the arbitration will take place in San Diego, California. The arbitration will be conducted by 1 arbitrator in accordance with the AAA's then-current Commercial Arbitration Rules, including the AAA's Optional Rules for Emergency Measures of Protection if applicable. The arbitrator will have the right to award or include in his, her or their award any relief which he, she or they deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, sanctions, and attorneys' fees and costs, provided that the arbitrator will not have the authority to award exemplary or punitive damages. The award and decision of the Arbitrator will be conclusive and binding on all parties hereto and judgment on the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such award. The parties further agree that, in connection with any such arbitration proceeding, each will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed within the aforementioned time period will be barred. You and we agree that arbitration will be conducted on an individual, not a class-wide basis and that an arbitration proceeding between you and us will not be consolidated with any other arbitration proceeding involving us and any other person or Business Entity. This Subsection 19.7.C will continue in full force and effect after and notwithstanding any expiration, non-renewal, Repurchase, Termination, mutual rescission, or Transfer, of the Franchise.

19.8 Governing Law. All matters within the scope of the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.) will be governed by that Act. All other matters related to the Franchise, this Agreement and the relationship between us and you will be governed by the laws of California to the extent that the matters are within the scope of such laws, except the restrictive covenants found in Subsection 9.2.A of this Agreement, which will be governed by the law of the jurisdiction in which the Center is located; and the franchise or business opportunity registration, disclosure or relationship laws of other jurisdictions to the extent that the matters are within the scope of such laws.

19.9 Limitation of Claims. Any and all claims arising out of or relating to this Agreement or the relationship of you and us in connection with your operation of the Center will be barred unless an action, arbitration or proceeding is commenced within 1 year after the date of the occurrence of the facts giving rise to such claim, excluding any claim for your failure to make any payment due hereunder.

19.10 Construction. Except where this Agreement expressly obligates us to reasonably approve or not unreasonably withhold approval of any action or request by you, we have the right to refuse any request by you or to withhold our approval of any action by you in our Business Judgment. The singular usage includes the plural, the plural usage includes the singular and the masculine and neuter usages include the other and the feminine. If 2 or more persons are at any time the franchisee under this Agreement, whether as partners, co-owners, joint employer, or joint venturers, their obligations and liabilities to us will be joint and several. References to "you," "owner" and "transferee" which are applicable to an individual or individuals mean all of your shareholders and partners, your owner or the assignee, if you, your owner or the assignee is a corporation or partnership.

Reference to a controlling interest in you means 51% or more of your equity or voting control. The headings of the Sections and Subsections of this Agreement are for convenience only and do not define, limit, or construe the contents of Sections or Subsections. This Agreement will be executed in multiple copies, each of which will be deemed an original. Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies on any person or legal entity not a party to this Agreement.

19.11 Entire Agreement. The terms and conditions of this Agreement are binding on the parties, and on their heirs, executors, administrators, successors and assigns. This Agreement, including its preambles and attachments, constitutes the entire understanding and agreement of the parties as to its subject matter, superseding all prior written or oral understandings and agreements of the parties concerning its subject matter, except that nothing in this Agreement or in any related agreements is intended to disclaim the representations we made in our Franchise Disclosure Document (including its exhibits and any updates or amendments).

19.12 Modification. Except as otherwise specified in this Agreement, this Agreement may not be modified except in a written agreement of at least equal formality signed by the parties. No interpretation, change, Termination or waiver of any provision of this Agreement, and no consent or approval hereunder, will be binding on the other party or effective unless in writing signed by you and our authorized representative, except that a waiver needs to be signed only by the party waiving.

19.13 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original and all of which together will constitute 1 document. Email or other electronic signatures of the parties will be deemed to constitute original signatures, and email or other electronic copies hereof will be deemed to constitute duplicate original counterparts.

20. NOTICES AND PAYMENTS.

All written notices and reports to be delivered by the provisions of this Agreement or of the Manuals will be deemed so delivered immediately when delivered by hand, immediately when delivered by email or other electronic transmission, one business day after being placed in the hands of a commercial courier service for overnight delivery, or three business days after placement in the United States Mail by Certified Mail, Return Receipt Requested, postage prepaid and addressed to us, to the attention of our President, at 7580 Metropolitan Drive, Suite 200, San Diego, CA 92108, and to you, at the Center. Until the Center has opened for business, we can send you notices at any address appearing in your application for a franchise or in our records. Notice to you, or your owner, will be deemed effective as to all persons or entities under this Agreement and all of your owners. Any party may change its address for receipt of notices by providing notice of such change to the other party.

21. ACKNOWLEDGMENTS. You acknowledge and warrant, represent and certify to us that:

A. The terms and conditions of this Agreement and all negotiations concerning this Agreement are, and are to remain, confidential and not communicated to any third party, unless such communication is authorized by us and/or our Franchisor

Entities and that should any disclosure contrary to this Subsection 19.B occur, material damages will be incurred by us.

B. We have a substantial interest in maintaining within our System, the value of any and all goodwill associated with, or otherwise derived from, your access to, and use of our Marks, Confidential Information, and System, in the operation of the Center, on expiration, non-renewal, Repurchase, Termination or Transfer of the Franchise.

C. The individuals executing this Agreement on behalf of you represent and warrant that the signatures listed below constitute all of the individuals, partners, directors, officers and/or shareholders necessary to bind you.

D. The individuals executing this Agreement, including every individual having an ownership interest in any legal entity proposed as the franchisee and any affiliates, parents, children or spouses of any such individual, have never been engaged in or been convicted of fraud, corruption, bribery, money laundering, narcotics trafficking or other crimes; nor been designated as a suspected terrorist as set forth on the list of Specially Designated National promulgated by the Office for Asset Control under the U.S. Department of Treasury; nor does any such individual otherwise support terrorism or provide money or financial services to terrorists.

E. If any individual executing this Agreement, including every individual having an ownership interest in any legal entity proposed as the franchisee, is not a U.S. citizen, each non-U.S. citizen is eligible under applicable U.S. immigration law to travel to and from the U.S. for training and other purposes required under this Agreement.

{SIGNATURE PAGE IMMEDIATELY FOLLOWING}

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement as of the day and year written below to be effective as of the day and year written on the first page of this Agreement.

FRANCHISEE (YOU):

By: _____

Name/Title: _____

Date: _____

By: _____

Name/Title: _____

Date: _____

FRANCHISOR (WE):

ANNEX BRANDS, INC.

By: _____

Name/Title: _____

Date: _____

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ILLINOIS STATE RIDER TO FRANCHISE AGREEMENT

Illinois law governs the Franchise Agreement.

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

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

The Franchise Agreement and any document signed in connection with the franchise are supplemented with the following language:

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

FRANCHISEE (YOU):

By: _____

Name/Title: _____

Date: _____

By: _____

Name/Title: _____

Date: _____

FRANCHISOR (WE):

ANNEX BRANDS, INC.

By: _____

Name/Title: _____

Date: _____

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MARYLAND STATE RIDER TO FRANCHISE AGREEMENT

Any limit on the period of time in which arbitration claims must be brought shall not act to reduce the 3-year statute of limitations afforded a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law.

The Franchise 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 Maryland Franchise Registration and Disclosure Law. In light of the Federal Arbitration Act, there is some dispute as to whether the forum selection requirement in the Franchise Agreement is legally enforceable.

Regarding the releases referenced in Subsections 10.1.A.1, 10.1.A.2, 10.1.A.3, 15.3 H, 16.3 of the Franchise Agreement, the releases will exclude any and all claims that may arise under the Maryland Franchise Registration and Disclosure Law, if that law applies to Franchisee or its owners.

The Franchise Agreement and any document signed in connection with the franchise are supplemented with the following language:

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

FRANCHISEE:

By:_____

Name/Title:_____

Date:_____

By:_____

Name/Title:_____

Date:_____

FRANCHISOR:

ANNEX BRANDS, INC.

By:_____

Name/Title:_____

Date:_____

MINNESOTA STATE RIDER TO FRANCHISE AGREEMENT

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring arbitration to be conducted outside Minnesota.

Nothing in the disclosure document or the Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in the Minnesota Franchises Act, Minnesota Statutes, Chapter 80C 17, or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. The period of limitation for claims under the Minnesota Franchises Act is 3 years after the cause of action accrues.

Regarding the releases referenced in Subsections 10.1 A.1, 10.1.A.2. 10.1. A.3, 15.3 H, and 16.3 of the Franchise Agreement, the releases will exclude any and all claims that may arise under the Minnesota Franchises Act, if that law applies to Franchisee or its owners.

Regarding Section 14 of the Franchise Agreement and renewal, Franchisor will comply with Minn. Stat. Sec. 80C.14, subds, 3, 4 and 5, which require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of a franchise.

Regarding Section 16 of the Franchise Agreement and termination, Franchisor will comply with Minn. Stat. Sec. 80C.14, subds, 3, 4 and 5, which require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of a franchise.

Regarding Subsection 19.7 of the Franchise Agreement and injunctive relief, Franchisor will not be automatically entitled to the entry of injunctive relief against Franchisee, but Franchisor will be entitled to seek injunctive relief.

The Franchise Agreement and any document signed in connection with the franchise are supplemented with the following language:

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

FRANCHISEE:

By:_____

Name/Title:_____

Date:_____

By:_____

Name/Title:_____

Date:_____

FRANCHISOR:

ANNEX BRANDS, INC.

By:_____

Name/Title:_____

Date:_____

NORTH DAKOTA STATE RIDER TO FRANCHISE AGREEMENT

1. **Precedence and Defined Terms.** This Rider is an integral part of, and is incorporated into, the Franchise Agreement. Nevertheless, this Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Agreement.

2. **Refund of Initial Fee.** Subparts A(1.), A(2) and A(3) in Section 10 of the Franchise Agreement is modified to state that any release required to be signed in connection with refund of the initial franchise fee under the Subparts will not apply to any claims arising under the North Dakota Franchise Investment Law.

3. **Transfer.** Subpart H in Section 15.3 of the Franchise Agreement is modified to provide that any release required to be signed in connection with a transfer under Section 15.3 will not apply to any claims arising under the North Dakota Franchise Investment Law.

4. **Renewal.** Subpart D of Section 16.1 of the Franchise Agreement are modified to provide that any release required to be signed in connection with a transfer under Section 14 will not apply to any claims arising under the North Dakota Franchise Investment Law.

5. **Covenants Not to Compete.** Sections 9.2 of the Franchise Agreement, and Attachment 11 to the Franchise Agreement, are amended to state: "Covenants not to compete such as those referenced in this Section may be unenforceable in the State of North Dakota."

6. **Arbitration or Litigation.** Subparts A and C in Section 19.7 of the Franchise Agreement are amended to add the following sentence: "Under the North Dakota Franchise Investment Law, if applicable, the site of arbitration or litigation must be in either North Dakota or a mutually agreeable location.

7. **Governing Law.** Section 19.8 of the Franchise Agreement is amended to delete the reference to the laws of California applying, and to provide that North Dakota law applies.

8. **Statute of Limitations.** Section 19.9 of the Franchise Agreement is amended to provide that the period of limitations for claims in the Franchise Agreement will not apply, and the statute of limitations under North Dakota law will apply.

9. **Waiver of Trial By Jury.** If the North Dakota Franchise Investment Law applies, Franchisor is prohibited from requiring Franchisee to waive trial by jury for any claims arising under the North Dakota Franchise Investment Law.

10. **Releases.** When executing the Franchise Agreement, you may not be required to sign a release for any claim arising under the North Dakota Franchise Investment Law.

11. **Punitive Damages.** Regarding Section 9 in Attachment 7 and punitive damages, the North Dakota Securities Commissioner has determined that requiring you to consent to waiver

of punitive damages is unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law, and is unenforceable in the State of North Dakota.

12. **Notice.** The Franchise Agreement and any document signed in connection with the franchise are supplemented with the following language:

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

FRANCHISEE:

By:_____

Name/Title:_____

Date:_____

By:_____

Name/Title:_____

Date:_____

FRANCHISOR:

ANNEX BRANDS, INC.

By:_____

Name/Title:_____

Date:_____

WASHINGTON RIDER TO FRANCHISE AGREEMENT AND RELATED AGREEMENTS

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

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 franchise, 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 Franchise Agreement is in effect and where the parties are represented by independent legal 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 the franchisor's reasonable estimated 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 Franchise Agreement and any document signed in connection with the franchise are supplemented with the following language:

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

FRANCHISEE:

By:_____

Name/Title:_____

Date:_____

By:_____

Name/Title:_____

Date:_____

FRANCHISOR:

ANNEX BRANDS, INC.

By:_____

Name/Title:_____

Date:_____

**STATE RIDER TO FRANCHISE AGREEMENT FOR CALIFORNIA, HAWAII,
INDIANA, MICHIGAN, NEW YORK, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA,
AND WISCONSIN**

The Franchise Agreement and any document signed in connection with the franchise are supplemented with the following language:

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

FRANCHISEE:

By: _____

Name/Title: _____

Date: _____

By: _____

Name/Title: _____

Date: _____

FRANCHISOR:

ANNEX BRANDS, INC.

By: _____

Name/Title: _____

Date: _____

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Attachment 1

INITIAL FRANCHISE FEE DEPOSIT RECEIPT

Please make check payable to: Annex Brands, Inc. or its designated representative.

Receipt of _____ (\$_____) is
acknowledged as _____% payment for a Commercial Logistics Center Franchise of the
Brand designated on Attachment 3, being granted to:

Name(s): _____

Address: _____

City/State/Zip: _____

FRANCHISEE:

By: _____

Name/Title: _____

Date: _____

By: _____

Name/Title: _____

Date: _____

ANNEX BRANDS, INC.

By: _____

Name/Title: _____

Date: _____

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Attachment 2

CONTINUING PERSONAL GUARANTEE

As an inducement to Annex Brands, Inc., a California corporation ("Franchisor"), to enter into that certain franchise agreement with an effective date of _____, ____ ("Agreement") with _____ ("you"), the following individuals, as personal guarantor (each a "Guarantor"), jointly and severally, absolutely and unequivocally, personally guarantee the performance of all of your obligations to Franchisor under, or arising out of, the Agreement and agree to perform those obligations if you are unable to perform. The obligations assumed under this Continuing Personal Guarantee are not transferable.

If the time or manner of payment of any amounts you owe to Franchisor change or should any of your obligations to Franchisor be modified, such action will not affect the liabilities of Guarantor in any manner.

Guarantor agrees to become bound by, and participate in, any judicial proceedings or arbitration proceedings brought by Franchisor to enforce the Agreement and this Continuing Personal Guarantee.

Guarantor will pay reasonable attorneys' fees and all other costs and expenses, which may be incurred by Franchisor through appeal in the enforcement of this Continuing Personal Guarantee.

This is a continuing personal guarantee and it will remain in full force until all of your obligations to Franchisor under the Agreement are fully performed.

If any one or more provisions of this Continuing Personal Guarantee are determined to be illegal or unenforceable, all other provisions will nevertheless remain effective.

This Continuing Personal Guarantee will inure to the benefit of Franchisor, its successors and assigns, and is intended to bind Guarantor and his/her/their heirs, executors, administrators, successors and assigns.

Guarantor, having received a true copy of this Continuing Personal Guarantee hereby agrees to be bound by its terms.

Dated: _____ at _____
(City/State)

(Guarantor):

(Guarantor):

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Attachment 3

DESIGNATION OF BRAND, PREMISES AND TERRITORY

Subsection 3.2.A – The Brand:

_____ Navis Pack & Ship®
_____ Handle with Care Packaging Store®
_____ Pak Mail Freight™

Subsection 3.2.B - Premises: _____

Subsection 3.2.C - Territory:

This description of the Territory may be amended only by mutual written agreement of you, us and any regional licensee with responsibility for the Territory.

FRANCHISEE:

By: _____

Name/Title: _____

Date: _____

By: _____

Name/Title: _____

Date: _____

FRANCHISOR:

ANNEX BRANDS, INC

By: _____

Name/Title: _____

Date: _____

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Attachment 4

TRANSFER OF SERVICE CONSENT AND AUTHORIZATION

On the expiration, non-renewal, Repurchase, Termination or Transfer of the Franchise for any reason whatsoever, Franchisee hereby irrevocably appoints and designates Franchisor (or any regional licensee) as Franchisee's attorney-in-fact to direct any (1) telephone service provider to change, transfer and/or terminate any and all listed telephone and fax numbers relating to the Center, and/or (2) Internet service provider or comparable authorities to change, transfer and/or terminate any email addresses, domain names, social media listings, online directory listings, other networking platform listings or other comparable electronic identities that may use or include the Marks or relate to the Center. Franchisee further specifically authorizes Franchisor (or any regional licensee) to execute any legal document on Franchisee's behalf to carry out the intent of this authorization. Franchisee agrees to provide to Franchisor (or any regional licensee) any other assistance, documentation, or information required to effectuate the transfer of the above-noted items.

Franchise Owner:

Date

Name/Title:

Date

Name/Title:

{FOR USE BY NEW OWNER ONLY}

**I hereby assume and agree to pay all charges outstanding on the following:
telephone and fax number(s):**

domain name(s):

email address(es):

social media or comparable online platform(s) using the Marks:

New Owner's Signature

Printed Name of New Owner

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Attachment 5

COLLATERAL ASSIGNMENT OF LEASE

{Subject to negotiation with Lessor}

FOR VALUE RECEIVED, the undersigned ("Assignor") hereby assigns, transfers and sets over unto Annex Brands, Inc., a California corporation ("Assignee"), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Exhibit 1 (the "Lease"), respecting premises commonly known as _____ (the "Premises"). This Assignment is for collateral purposes only and, except as specified herein, Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee will take possession of the Premises demised by the Lease pursuant to the terms hereof and will assume the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and its interest therein and that Assignor has not previously assigned or transferred, and is not otherwise obligated to assign or transfer, any of its interest in the Lease or the Premises demised thereby.

On a default by Assignor under the Lease or under that certain Franchise Agreement with an effective date of _____ ("Franchise Agreement") between Assignor and Assignee for that certain Center located at the Premises, in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, or on expiration, termination, or non-renewal of the Franchise, Assignee will have the right and is hereby empowered to take possession of the Premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor will have no further right, title or interest in the Lease and will remain liable to Assignee for all past due rents Assignee will be required to pay to Lessor to effectuate the assignment contemplated hereunder. All provisions of the Franchise Agreement remain enforceable, including but not limited to Subsection 18.5, irrespective of whether this Collateral Assignment of Lease is fully executed, implemented or otherwise enforced.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without Assignee's prior written consent. Throughout the term of the Franchise, Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than 30 days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. On Assignee's failure otherwise to agree in writing, and on failure of Assignee to elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting such extension or renewal.

ASSIGNOR:

Dated: _____

Dated: _____

CONSENT TO COLLATERAL ASSIGNMENT AND AGREEMENT OF LESSOR

{Subject to negotiation with Lessor}

The undersigned Lessor under the afore-described Lease, hereby:

- 1) Agrees to notify Assignee in writing of the failure of Assignor to cure any default by Assignor under the Lease, at the time of such failure;
- 2) Agrees that Assignee will have the right, but will not be obligated, to cure any default by Assignor under the Lease within 30 days after delivery by Lessor of written notice thereof in accordance with Section (1) above;
- 3) Consents to the foregoing Collateral Assignment and agrees that, if Assignee will take possession of the Premises demised by the Lease and confirms to Lessor the assumption of the Lease by Assignee as tenant thereunder, Lessor will recognize Assignee as tenant under the Lease, provided that Assignee cures within said 30-day period the defaults of Assignor under the Lease; and
- 4) Agrees that Assignee may further assign the Lease to or enter into a sublease with a person, firm or corporation who will agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Lessor and, on such assignment, Assignee will have no further liability or obligation under the Lease as assignee, tenant or otherwise, other than to certify that such additional assignee or sublessee operates the Premises demised by the Lease as the Center.

Dated: _____

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Attachment 6

ABCONNECT LICENSE AGREEMENT

This ABConnect License Agreement (“License Agreement”) is entered into between Annex Brands, Inc. (“Licensor,” “we,” “us” or “our”), and (“Licensee” or “you”) regarding the license and use of certain proprietary web-based operating system as fully set forth below, with an effective date of _____:

Recitals

A. Licensor has developed a web-based operating system for use in the operation of a packing/shipping/logistics business that consists of integrated software components and web portal technology (the “ABConnect System”) that is an integral part of the Franchise.

B. ABConnect System components are proprietary to Licensor and Licensor owns all right, title and interest in and to the ABConnect System.

C. Licensee has been granted a Franchise by Licensor and desires and intends to acquire a license for the ABConnect System for use by Licensee in the operation of its Center in compliance with a franchise agreement with an effective date of _____ (the “Franchise Agreement”) and this License Agreement.

License Fee and Transfer Fee

Licensee agrees to pay Licensor a one-time fee of \$6,250 on execution of this ABConnect License Agreement. This License may be transferred to a new Licensee only if Licensor approves and authorizes the transfer. The new Licensee must execute the then-current ABConnect License Agreement and pay the applicable technology license transfer fee. Currently, the technology license transfer fee is \$350, if the Center will be operated in the same location, subject to Licensor’s right to modify the technology license transfer fee, in its Business Judgment, after at least 15 days’ notice to Licensee or new Licensee.

Terms of License Agreement

1. Term of License Agreement. The term of this License Agreement begins on the effective date noted above if executed by Licensor, and expires concurrently with the Franchise Agreement, unless earlier terminated in accordance with other provisions of this License Agreement and/or the Franchise Agreement.

2. Grant of License. We hereby grant to you for the term of this License Agreement a non-exclusive, non-transferable license unless Licensor approves and authorizes the transfer as noted in License Fee and Transfer Fee of this Agreement noted above, to use the ABConnect System, subject to the terms and conditions contained in this License Agreement. The ABConnect System is licensed for installation and use exclusively at the Center operating under the Franchise Agreement, unless another location is approved in writing by us. This license extends to any improvements, additions, or modifications of the version or versions of the ABConnect System

components (“Components”) provided under this License Agreement and to any Components licensed to Licensee in the future. You agree to use the ABConnect System and each Component of it in their entirety and as your exclusive Franchise Business operating system. You agree not to use any substitute system or Component for the functions offered under the ABConnect System. All rights not expressly granted to you are reserved by us. For the purposes of this License Agreement, Components shall be considered to include, object code, user documentation, computer based training and/or other training materials, system architecture, and any other information and/or materials generally provided by us to users in conjunction with the award of a license by us.

3. Proprietary Rights. You acknowledge and agree that the ABConnect System is a proprietary development and constitutes valuable work product in the form of trade secrets, know-how, and copyrighted and confidential information, including but not limited to our proprietary software program. The ABConnect System includes a suite of proprietary programs and web portal components, some of which are proprietary to third parties unrelated to us. With respect to licensed intellectual property proprietary to such third parties, we represent that we have the authority to license the same to you. You understand that you will not acquire any interest in the ABConnect System and Components other than the license for use described in this License Agreement. This License is granted to you on the express condition that the ABConnect System and Components be used exclusively in operating the Center Franchise Business in compliance with this License Agreement and the Franchise Agreement. To the extent any information or data submitted by you is proprietary to us or our Affiliates under the terms of the Franchise Agreement, it shall also be considered proprietary to us/our Affiliates under this License Agreement.

4. Limitations on Use. You agree that you will not, and will not permit others to, disclose, duplicate, enhance, modify, disassemble, reverse engineer, rent, or transfer any of the licensed Components, the ABConnect System and/or any ABConnect System data or information. You may disclose the Components and the ABConnect System to your employees and agents as may be reasonably required in your business operations. You agree to use all reasonable efforts to limit access to such employees and agents and to be solely responsible for ensuring that they respect and acknowledge the trade secret, confidential and proprietary nature of the Components and ABConnect System and data in compliance with the Franchise Agreement and this License Agreement. To the extent applicable, you are authorized to reproduce, only for internal use and as a back-up, a single copy of any applicable Component, which must bear all copyright notices displayed on the original. You agree to use only the most current version of any Component licensed to you under this License Agreement, now or in the future.

5. System Operations.

A. Components Proprietary to Us or our Affiliates: With respect to those Components as we identify as proprietary to us or any Affiliate of ours, or any applicable additions licensed by us or by an Affiliate, we will use commercially reasonable efforts to provide such Components free from significant programming errors. For the purposes of this License Agreement, a programming error is any program function that does not substantially conform to the specifications contained in documents, manuals or other materials (including but not limited to web-based materials) provided by us to you, in writing or otherwise. While we will use commercially reasonable efforts to prevent unplanned ABConnect System interruptions and/or loss of service and/or data, we do

not warrant that such events will not occur. Our sole responsibility for any loss or damage to the System and/or data is to use reasonable efforts to provide you with the most recent back up of your data to the extent we have control over and/or responsibility for such back up in connection with those Components that are proprietary to us. We may give to you periodically information regarding our then current support services policies, if any, which are subject to change by us.

B. Components Proprietary to Third Parties: With respect to any Components identified as proprietary to an unrelated third party, or any applicable additions licensed by an unrelated third party, we will use commercially reasonable efforts to cooperate with and assist you in attempting to obtain error corrections and support services from the licensor and/or manufacturer of an applicable Component. If any license we have been granted by a third party is terminated or expires we will use reasonable commercial efforts to substitute a comparable Component without interruption or delay in ABConnect System performance or operations, but do not warrant or represent that such a delay or interruption will not occur, and we will have no liability therefore.

C. Warranty Disclaimer and Limitation of Liability: Neither we nor our Affiliates nor any third party by whom we are authorized to license any Component warrants or represents that the operation of the ABConnect System and/or any of its Components will be uninterrupted and/or error free. NEITHER WE NOR OUR AFFILIATES OFFERS OR PROVIDES ANY WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. IN NO EVENT SHALL WE AND/OR ANY AFFILIATE OF OURS BE LIABLE AS A RESULT OF THIS LICENSE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGE, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY ARISING IN ANY WAY OUT OF THIS AGREEMENT, EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGE. THE AGGREGATE LIABILITY OF ONE PARTY TO THE OTHER FOR DAMAGES UNDER THIS AGREEMENT SHALL BE LIMITED TO THE AMOUNT PAID OR PAYABLE UNDER THIS AGREEMENT. Third party Components offered in connection with the ABConnect System are subject to the warranty, if any, provided by such third parties. You expressly acknowledge and agree that we have no liability and/or responsibility for any Components that are not specifically proprietary to us or an Affiliate of ours.

D. Your Use and Transactional Information: You acknowledge that it is essential to the successful operation of a franchise network that we have access to the complete details of all your transactions. Our current Transactional Information requirements include, but are not limited to, the following, and you acknowledge that these requirements are subject to change by us in our Business Judgment:

- i) You agree to enter into ABConnect System the business name, contact name, complete street address, and telephone number of all billing parties (“Billing Information”);
- ii) You agree to enter into ABConnect System the business name, contact name, complete street address, and telephone number of the location at which items are picked up by Center personnel and/or a third-party carrier (“Freight Origination Information”);

iii) You agree to enter into ABConnect System the business name, contact name, complete street address, and telephone number of the location to which items are delivered by Center personnel and/or a third-party carrier (Freight Destination Information”).

iv) You agree to enter into ABConnect System all third-party carriers used to convey the freight;

v) You agree to enter into ABConnect System the total charges billed by you before any taxes;

vi) You agree to enter the transaction details of the business of the Center into ABConnect in a timely manner; and

vii) You agree to provide to us such transaction details and documentation of the business of the Center, in such form and format, as we periodically specify in our Business Judgment.

E. Your Responsibility: You agree to notify us in writing of any perceived errors and will make reasonable appropriate adjustments to mitigate adverse effects.

6. Security. While we use, and attempt to have our third-party providers use, commercially reasonable practices to assist in protecting any data, you understand and expressly agree that we cannot and do not warrant that persons unrelated to us, our Affiliates, or the ABConnect System and its related providers, cannot or will not intercept or modify data from you. You are responsible for maintaining the confidentiality of any passwords used by you in connection with your access to and use of the ABConnect System. You agree to notify us promptly if you think the security of the ABConnect System or any Components has been compromised. You are solely responsible for the content of any comments, information, data or other information submitted to or distributed through the ABConnect System and Components by you, your personnel or your agents/representatives.

7. Infringements. We agree to indemnify you against any liability to third parties resulting from claims that any Component proprietary to us or our Affiliates infringes on or violates any patents, copyrights or trade secrets of such third parties. This indemnification is limited exclusively to those Components now or in the future licensed to you under this License Agreement which are expressly proprietary to us or our Affiliates and is contingent on you providing us with prompt written notice of any such claims. You agree to grant to us the sole right to defend such claim. If an infringement occurs, we will, at our option and as your exclusive remedy:

- A. Revise the applicable Component so that it is not infringing;
- B. Obtain necessary rights to permit the continued use of such Component or provide to you a comparable substitute therefore;
- C. Terminate this License Agreement and reimburse you for all amounts paid by you to us under this License Agreement for the 2 months before the termination.

8. Security Features. You acknowledge and agree that the ABConnect System and/or any Component, now or in the future, may contain a utility or employ a security device designed to prevent unauthorized use if this License Agreement and/or the Franchise Agreement is terminated or you default under any term of this License Agreement or the Franchise Agreement. IF YOU HAVE BEEN NOTIFIED BY US IN WRITING OF A DEFAULT UNDER THIS LICENSE AGREEMENT OR NOTIFIED BY ANNEX BRANDS, INC. OF A DEFAULT UNDER THE FRANCHISE AGREEMENT, OR IF THIS AGREEMENT EXPIRES, TERMINATED, OR NOT RENEWED, FOR ANY REASON, THE ABCONNECT SYSTEM AND/OR COMPONENTS MAY NOT RUN OR OPERATE AND YOU MAY EXPERIENCE A DISRUPTION OF BUSINESS AS A RESULT OF AN INABILITY TO ACCESS DATA. You acknowledge and agree that security of the ABConnect System is essential to preserve, among other things, the goodwill of the Center Franchise System and may be accidentally or inadvertently activated. Under no circumstances will we or any of our Affiliates or designees be liable to you for any damages, regardless of the nature or source, resulting from the activation of this security utility or device at any time during or after the term of this License Agreement.

9. Your Computer Equipment. You warrant and represent that you have purchased or intend to purchase shortly computer equipment and system components meeting our then-current standards and specifications as of the date of this License Agreement. You understand and agree that we have the right to modify the Computer Equipment specifications periodically as we consider necessary or appropriate and that your Computer Equipment may or may not be compatible with, or upgradeable to meet, any new specification necessary to operate the ABConnect System or any Component at a future date.

10. Assignment by You. You may not assign this License Agreement or delegate any of your rights, duties or obligations without our express written permission.

11. Our Right to Assign and/or Delegate. We may assign or delegate in whole or in part any or all of our rights and/or duties under this License Agreement.

12. Responsibility for Enforcement. You agree to require your personnel, agents or other parties authorized by you to have access to the ABConnect System and/or Components to abide by the terms and conditions of this License Agreement and to be responsible for their failure to comply therewith.

13. Termination of License Agreement. This License Agreement may be terminated as follows:

A. Termination with Right to Cure: If either party defaults in the performance of any term or condition of this License Agreement such party shall have 30 days after receipt of written notice to cure such default by correcting the same. If the defaulting party fails to cure such default within the 30-day period, the party not in default shall have the right to terminate this License Agreement without further notice to the other party. A default by you under this License Agreement includes but is not limited to a failure to pay any fee obligation on a timely basis, to remain in Good Standing under your Franchise Agreement or to use the ABConnect System as intended by this License Agreement and as provided in Section 3, above.

B. Termination by Us Without Opportunity to Cure: We may choose in our Business Judgment to terminate this License Agreement, effective on delivery of written notice to you and without opportunity to cure, if you:

- i). Cease to be a Center Franchisee;
- ii). Breach any non-disclosure provisions of this License Agreement or terms of use as provided in Section 5, above; or
- iii). Attempt an unauthorized transfer of this Agreement or any property licensed to you hereunder.

C. Franchise Agreement Renewal: If at or before the expiration of the Franchise Agreement, you are granted a new franchise agreement for a successor term and if we are then granting license agreements for the ABConnect System or a substitute system and/or components, then we will offer to you a license agreement in a form then currently awarded to renewing Center Franchisees. This License Agreement will terminate or expire concurrently with the terminating/expiring Franchise Agreement.

D. Cross-Default: A default under this License Agreement is a default under the Franchise Agreement. A default under the Franchise Agreement is a default under this License Agreement.

14. Post-Termination Provisions. On expiration, termination, non-renewal, or transfer of this License Agreement, you agree to immediately pay to us all amounts then owed to us and/or an Affiliate or designee and discontinue all use of, and to return to us on our request and as applicable, the ABConnect System and Components and any software, technology, materials, documents, disks, manuals or any other information licensed to you under hereunder, including but not limited to any back-up copies. The Post-Termination provisions of the Franchise Agreement shall be deemed to apply to this License Agreement and all rights and property licensed hereunder.

15. Amendments. No waiver, alteration, substitution or modification of any of the provisions of this License Agreement will be binding unless in writing and signed by a duly authorized representative of each party.

16. Taxes. In addition to any fees or other charges payable under this License Agreement, you agree to pay on demand any and all taxes, however levied, based on any charges payable for products or services rendered hereunder, including but not limited to state and local excise, sales and use taxes paid or payable by us or an Affiliate, exclusive of taxes based on income.

17. Surviving Terms. The confidentiality, non-disclosure and non-use provisions of Sections 5 and 7 as well as the provisions of Sections 13, 15, 20, and 21 shall survive the expiration, termination, non-renewal and/or transfer of this License Agreement, along with any other provision that by its nature survives such expiration, termination, non-renewal and/or transfer.

18. Force Majeure. If you, we and/or any Affiliate of ours are unable to perform any obligation under this License Agreement because of natural disaster, terrorist attack, action or

decrees of governmental bodies, or communications failures (a “Force Majeure Event”), then notice shall be provided by the non-performing party to the other party and reasonable efforts undertaken by the non-performing party to resume performance; provided that the non-performing party shall be excused from performance for so long as such Force Majeure Event continues.

19. Integration, Severability and the Franchise Agreement. Each provision of this License Agreement, and any portion of any provision, is severable. To the extent that any provision of this License Agreement, or any specification, standard or operating procedure, is invalid or unenforceable, you and we agree that such provisions will be enforced to the fullest extent permissible under governing law. You and we agree that this License Agreement along with any concurrently signed writings, contains the final, complete and exclusive expression of the terms of agreement between you and us, regarding the subject matter hereof and supersedes all other agreements and/or representations of any kind or nature except or other than those contained in the Franchise Disclosure Document (“FDD”); provided that this License Agreement shall be an agreement in addition to, and not in replacement of, terms of the Franchise Agreement, all of which shall remain in full force and effect. Capitalized terms have the same meaning as in the Franchise Agreement, unless otherwise defined herein.

20. Incorporation of Certain Franchise Agreement Terms. You and we agree that the provisions of the Commercial Logistics Center Franchise Agreement between you and Annex Brands, Inc. governing Dispute Avoidance and Resolution, Notices and Payments, and Acknowledgments and Representations (Sections 18, 19 and 20) shall be deemed to apply equally to this License Agreement and are incorporated herein as though made between you and us. If you and we have not entered into a Center Franchise Agreement, then the dispute resolution provisions included in Amendment No. 1 to this License Agreement shall control.

21. Parties to this License Agreement. Licensee and Licensor are the sole parties to this License Agreement and no other parties have any obligations hereunder, except that this License Agreement is binding on the parties’ successors and assigns.

{SIGNATURE PAGE IMMEDIATELY FOLLOWING}

IN WITNESS WHEREOF the parties have executed this License Agreement evidence below.

Licensee:

By: _____

Name/Title: _____

Date: _____

By: _____

Name/Title: _____

Date: _____

Licensor:

ANNEX BRANDS, INC.

By: _____

Name/Title: _____

Date: _____

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Attachment 7

INTERNET POLICIES & PROCEDURES AGREEMENT

This INTERNET POLICIES & PROCEDURES AGREEMENT ("Agreement") is entered into by and between Annex Brands, Inc., a California corporation having a principal place of business at 7580 Metropolitan Drive, Suite 200, San Diego, CA 92108 ("we," "us" or "our") and

_____ ,
having an address of _____,
("you").

1. Our Website. We may, but are not required to, maintain a corporate website on the Internet ("our website") to advertise and promote our franchise system and the products and services marketed by us and by our franchisees. The content of our website is at our Business Judgment and under our sole control.

2. Intranet; Newsgroups; Bulletin Boards. In addition to our website, we may establish a private Intranet area, newsgroups or bulletin boards for our franchisees that can be accessed only by means of user names and passwords. We intend to provide support to our franchisees through this Intranet, private newsgroups, and bulletin boards, and will allow for a dynamic means of electronic communication among franchisees. Franchisee should monitor the Intranet, newsgroups, and bulletin boards on a regular basis. Our Intranet and these newsgroups are intended to be accessible only to us and our franchisees, not to the general public. We may monitor the newsgroups and any email sent, uploaded or accessed using the user name and password referred to in Section 3. We will remove any content that does not comply with our Internet Code of Conduct. We may terminate or suspend your access to our Intranet and the newsgroups without terminating this Agreement.

3. Passwords & Confidentiality. You will receive a user name and passwords for utilizing our Intranet, email and website portals, if established. We may change your passwords periodically after giving you notice. We may change your passwords without notice if an alleged compromise exists. You agree not to disclose your password to any person or entity who is not under your direct supervision and who does not have a need to know such password. You agree to inform all persons under your supervision who may have access to such password of this obligation of confidentiality and you agree to indemnify and hold us harmless for any default of confidentiality by such persons. You are responsible for the personnel to whom you distribute passwords. You must refrain from allowing access to our Intranet by any unauthorized party.

4. Your Website. We must approve any website (or equivalent electronic advertising) that utilizes the Marks before publication. If we establish our website, we will prepare and post a designated area on our website for the purpose of promoting the Center ("your website"). Your website will be accessible without charge to anyone with access to the Internet. You may not maintain another website without our prior written consent.

(a) Standard Web Pages. The initial fee for creation and posting of standard web pages is currently included in your initial franchise fee or transfer fee. We will design the content of standard web pages. You may be able to customize a portion of your web pages in accordance with our guidelines at no additional charge.

(b) Customized Web Pages or Website. If offered by us, you may request to customize portions of your standard web pages or create a customized website with our prior written consent and for a fee. We will not commence any design or programming work for you that will entail additional charges without your prior written approval. Once you agree, we will charge you at our then-current rate for design or programming services, and we may charge you an annual fee for maintaining a customized website for you. We will design the layout, including but not limited to determination of content, number of pages, consideration of alternate pages for graphics or text, and the overall navigation; create the programming code for display on the Internet including but not limited to the encoding of images, the creation of hyperlinking of both text and images, and the creation of email hyperlinking; and test the programming code. You agree to submit to us, in computer-readable, digital form, any additional text and graphics you would like us to include on your customized standard webpages or in your website. If a 3rd party owns any copyright, trademark or other intellectual property right which relates or pertains to any part of any content you deliver to us, you must obtain all necessary rights or licenses, at your sole cost and expense, so that our rights in and to such content will be no less than if such intellectual property right belonged to you and were licensed to us pursuant to Section 7 hereof. To post a website that you develop or to move an existing website to our website, you must submit the programming code to us to facilitate our development of your website.

(c) E-Commerce Services. We may make various e-commerce services available to you for reasonable fees. We will periodically notify you, in our Manuals, in bulletins, in our newsletter (360), in postings on our Intranet franchisee support site, by email, by publishing a list, in writing or otherwise, of available e-commerce services, together with a schedule of applicable fees. We also may provide a method by which you will be able to offer websites to your Customers and to offer to your Customers some of the same e-commerce services that will be available to you. Currently, you are not required to use any of these e-commerce services, but we reserve the right to require you to use some or all of these services in the future. We reserve the right to discontinue or modify these e-commerce services, in our Business Judgment

(d) Approval & Posting of Customized Standard Web Pages or Your Customized Website. For customized standard web pages, depending on the complexity of the requested customizations, we may either publish them to our website after the customizations are completed or send or present to you a copy of your customizations for your approval. For customized websites, we will either send or present to you a copy of your customized website or make such website accessible to you in an unpublicized portion of the Internet for your approval before we post your customized website in a public fashion on our website. We will not post your customized website in a public fashion on our website until you have given us your approval. You agree to review your customized website and, within a reasonable time, either to inform us of reasonable changes you would like to make or to inform us in writing of your approval, which approval you will not unreasonably withhold. We do not make any representation regarding the time it will take to post or to modify your customized website. Once your customized standard web pages or customized website has been posted, we may ask you to verify the content at any time, for accuracy or otherwise, and you agree to promptly respond to any such request, either in writing or by email.

(e) Advertising. We own all right, title and interest in and to all advertising space in your web pages or website. We may advertise and promote your web pages or website as

part of our promotion of our website. We also may advertise and promote your web pages or website without your prior approval of any such advertising or promotion. Within your web pages or website, we may include any advertising or promotion of and links to websites of any 3rd parties that we deem desirable, as well as any other materials or content we deem appropriate.

(f) Links. We may, but are not required to, link your web pages or website to any other approved website, including but not limited to one that you maintain in your capacity as our franchisee or any other website that lists the Center. We may condition such linking on the linking of such websites back to our website. We may remove or request at any time that you remove such links back to our website and you agree to promptly comply with any such request. Any such linked websites will be subject to the license described in Section 7 and the covenants and indemnity described elsewhere in this Agreement. We will have no duties, obligations or other commitments of any kind with respect to any of your linked websites outside of our website. You agree to notify us of any website known to you that features or lists you in your capacity as a franchisee and to notify us of any new websites as they periodically list you.

(g) General. Your web pages or website will not have a separate domain name of its own but will be a subdirectory under our domain name without our prior written consent. We may modify the format or content of your web pages or website periodically without prior notice to you. We intend to make any changes that are required by law promptly. We intend to make all other requested changes when we update. your web pages or website, which need not be more than once a year. All modifications, design work and programming coding we do will be a derivative work, owned by us. As such, we will have the right to post a copyright notice in our name on all of your pages in your web pages or website. You may make 1 print copy of your web pages or website for your internal use. Any other copying, redistribution, retransmission or publication of any downloaded material is prohibited without our prior written consent.

5. Social Media Platforms, Online Directory Listings, and Other Networking Platforms. In order to accomplish our business goals and protect our system, we control the manner in which our Marks are used on the Internet and you agree to follow our policies and procedures when using social media platforms, online directory listings, other networking platforms, or other comparable electronic identities. We may publish, update, or remove content at any time, in our Business Judgment. You acknowledge that the Code of Conduct applies to social media platforms, online directory listings, other networking platforms, and other comparable electronic identities; that social media platforms, online directory listings and other networking platforms are continuously evolving, and that our policies and procedures will be periodically updated by us in the Manuals, in writing or otherwise.

6. Computer Hardware, and Software Programs and Licenses. You affirm that you have acquired and will maintain the necessary computer hardware, and all necessary software programs and licenses, to meet or exceed our stated minimum requirements for e-commerce and other strategic marketing alliance initiatives. You must install a virus detector on all of your computer workstations, and you must take all reasonable and necessary steps to ensure that all transmissions are free of viruses. We will maintain a virus scanner on the host system at all times. You must not use or distribute unlicensed software or data. You understand that we do not provide technical support for computer hardware, software programs, Internet network systems and/or operating systems.

7. Policies & Procedures; Code of Conduct. Our system is an Internet-based data communications network service designed for the exclusive use of authorized participants. You must be a registered user in order to participate. We may withdraw all of your rights and privileges of access at any time for any reason if deemed necessary to protect our system. Your participation is intended as a business tool, and your conduct is governed by our Internet Code of Conduct, which we may modify or delete, in whole or part, without prior notice to you, as we deem necessary to accomplish our business goals. You will be notified of any changes that we make to our Internet Code of Conduct. You hereby covenant that you will comply in all respects with the Internet Code of Conduct.

(a) No Infringing Materials. In your capacity as a franchisee, you agree that you are prohibited from creating, reproducing, distributing, transmitting, creating derivative works of, or publicly displaying or performing, any communication, data, file, image, graphics, video clip, audio clip or software in, through or on the Internet that might infringe on or violate the property rights of others, including but not limited to any of the following types of property belonging to a person or entity other than us when such person or entity has not given his, her, their or its prior written consent or license: (1) any text, images, graphics, video clip, audio clip or software protected by copyright or patent law; (2) trade secrets or other confidential proprietary information; and (3) Marks.

(b) Email. You agree to use the method and format of email communications for the Center as determined by us, including but not limited to using the Center's brand domain name in the email address. We may, but are not required to, provide you with up to two email addresses per Center without a fee. If additional email addresses are provided to you, you will be charged the then-current fee for those email addresses. You must use the email addresses we provide you for all aspects of the operation of your center, including but not limited to customer communications, print or digital marketing, advertising or promotions, on letterhead and business cards, etc. You may not establish or use your own email addresses without our prior written consent. The following guidelines apply to your electronic mail communication in your capacity as a franchisee:

(1) Keep email messages brief and informal. Attach any lengthy text as a separate document, as most emails are read on screen and should be limited to 1 screen in length.

(2) Do not overload recipients with unwanted emails.

(3) Whenever you send an email to a person other than us, indicate in your email (in the signature portion or elsewhere) that the Center is an independently owned and operated business, and that your views do not necessarily reflect our policies. You agree to use any standardized signature blocks in formats we determine, if required.

(4) Check emails throughout the day, and respond to the emails in a timely manner.

(5) Remember that you are a representative of the System and conduct yourself appropriately, in a way that increases the goodwill of the System, both for your benefit and for the benefit of all System franchisees.

(6) Any email marketing/advertising, promotional, or campaign communications must be approved by us, and must conform to then-current guidelines, as specified in the Manuals, in writing or otherwise.

(c) General Prohibitions. If you receive a message or data of the nature described below, you are encouraged to mail a copy of the message/data to us for proper investigation and disposition. You cannot create, transmit, view, retrieve, maintain or store any electronic communication, data, file, image, graphics, video clip, audio clip, or software in or through your website or anywhere on the Internet in your capacity as a franchisee, whether it is intended in a serious manner or as a joke or satire or is otherwise not intended to be taken seriously, that is: (1) a virus, worm, “Trojan horse” or any other harmful, contaminating, destructive or disruptive element; (2) illegal or solicits the performance of any illegal activity, including but not limited to gambling and to anti-competitive activities, such as price fixing, boycotting of suppliers or allocating markets, or any violation of the securities laws, or a chain letter or message relating to pyramid schemes; (3) discriminatory, such as referring in a negative manner to an individual’s race, age, disability, religion, national origin, physical attributes or sexual preference; (4) profane, indecent, obscene, pornographic or otherwise containing sexual content or innuendo; offensive, harassing, sexually harassing, abusive, intimidating, threatening, derogatory, libelous, defamatory, rude, imprecating, hateful or inflammatory; (5) private or personal matters concerning any person without permission of the person; (6) a political message, charity request or petition for signatures; (7) a password, a credit card number, a social security number, a PIN or the scanned copy of anyone’s signature; (8) a testimonial or name or picture of any person for the purpose of advertising or promotion without that person’s written permission; or (9) inaccurate, derogatory, libelous or defamatory relating to our employees, proprietors, business associates, clients, business practices, procedures or policies or any other content contrary to our interests or disclosing our confidential, sensitive or proprietary information, including but not limited to the Manuals, business plans, Customer lists, unpublished financial information and the like.

8. Your Grant to Us. You hereby grant us a worldwide, perpetual license, without charge or payment of a royalty, to reproduce, distribute, transmit, create derivative works of, publicly display and publicly perform all materials and information you submit to us for posting in your web pages and website, and all materials and information you submit to our Intranet or newsgroups described in this Agreement, by all means and in any media now known or hereafter developed, including but not limited to the right to use such materials and information that we deem appropriate on similar web pages or websites of our other franchisees; and use your name and any likeness of you that you submit to us for posting in your web pages or website or that you submit to us in connection with all advertising, marketing and promotional materials related to our website or your web pages or website; and sublicense and to authorize 3rd parties to do any, all or some of the things that we are permitted to do under this Agreement. In addition, you grant us the right to change, transfer or terminate any email addresses, domain names, social media platform listings, online directory listings, other networking platform listings and comparable electronic identities that use or include our trademarks or brand names, at our request, or if the franchise expires, is not renewed or is terminated.

9. Limitation on Liability. The products and services provided by us pursuant to this Agreement are provided on an “as is” basis. We make no representation or warranty, express or implied, relating to the products or services provided by us pursuant to this Agreement, including

but not limited to any implied warranty of merchantability or fitness for a particular purpose, any implied warranty of title, and any implied warranty arising from course of dealing or course of performance. Without limiting the generality of the foregoing, we specifically disclaim any warranty regarding the efficacy of any promotion of the Center by means of our website or your website and any representation or warranty against infringement, express or implied. In no event will we, our owners, directors or officers, be liable to you for any indirect, incidental, consequential, punitive, special or other similar damages (including but not limited to any damages for loss of information, lost profits, or business interruption) arising from or in any way related to the use of or inability to use our website or your website, any delay or failure to post your website or to make any update or modification you request, or any other event related to this Agreement, even if we or our authorized representative has been informed, is aware or should have been aware of the possibility of such damages.

10. Security, Privacy & Cyberspace Jurisdiction. While we will endeavor to maintain the security of your website and will endeavor to act promptly in the event of a security breach, we will not be liable to you in the event of any such breach, whether it results in a modification of your website or the shutdown of all or part of our website or your website. You understand that unauthorized persons may gain access to our Intranet. You specifically understand that you have no expectation of privacy with respect to any email or other data or transmission created, transmitted, retrieved or stored through our Intranet or otherwise communicated to or from us. We may access, review and monitor all such transmissions, email and data, at any time, for any reason, without prior notice to you. All information, data, images and messages contained in and/or created through our website are our property. Any unauthorized use, duplication, viewing or transmission of these materials, without our prior written consent, is strictly prohibited. Access to and use of our Intranet constitutes agreement to this notice. You understand that laws regarding Internet advertising and jurisdiction are uncertain and evolving and that the posting of your website pursuant to this Agreement may expose you to unexpected material, adverse consequences, including but not limited to liability to legal claims and to jurisdiction in remote locations worldwide. We will not be liable for any such adverse consequence.

11. Choice of Law and Dispute Resolution. This Agreement will be (a) deemed made and entered into, and (b) construed and governed under and in accordance with the laws of the State of California. Any party may, but is not required to, submit to any court of competent jurisdiction any controversy, dispute or claim involving a request for monetary or injunctive relief concerning any Mark, involving a request for injunctive relief concerning any lease of real estate, or involving a request for temporary injunctive relief seeking enforcement of this Agreement. Except as provided in the previous sentence, all disputes arising out of or relating to this Agreement or the products or services delivered or rendered under this Agreement, or a default of this Agreement, that cannot be settled amicably, will be resolved by arbitration in San Diego, California before 1 neutral arbitrator and administered under the Commercial Arbitration Rules of the American Arbitration Association. Any provisional or equitable remedy that would be available from a court of law will be available from the arbitrator. Judgment on the award of the arbitrator may be enforced in any court having jurisdiction thereof. The parties consent to the non-exclusive jurisdiction of the federal and state courts located in San Diego County, California for any action (a) to compel arbitration, (b) to enforce the award of the arbitrator or (c) at any time before the qualification and appointment of the arbitrator, for temporary, interim or provisional

equitable remedies. The parties further consent to service of process in any such action by certified mail, return receipt requested, or by any other means permitted by law.

12. Term & Termination. This Agreement is effective when we sign it and accept your franchise agreement. This Agreement will automatically terminate on expiration, termination or non-renewal of the franchise granted under your franchise agreement. We may cancel your passwords and otherwise suspend your access to our Intranet at any time if we give you written notice that you are in default of this Agreement or your franchise agreement. We will cancel your passwords and remove your website as soon as practicable after termination of this Agreement for any reason.

FRANCHISEE:

By: _____

Name/Title: _____

Date: _____

By: _____

Name/Title: _____

Date: _____

FRANCHISOR:

ANNEX BRANDS, INC.

By: _____

Name/Title: _____

Date: _____

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Attachment 8

ELECTRONIC FUNDS TRANSFER AUTHORIZATION

Date of Application: _____	Phone: _____
Franchisee: _____	
Name/Title: _____	
Name/Title: _____	
Address: _____	

Please attach a copy of a voided check or supply the following information:

Name & Address on Account: _____ _____
Financial Institution Name & Address: _____ _____
Bank Routing Number: _____
Bank Account Number: _____

In accordance with the Franchise Agreement between me and Annex Brands, Inc. ("COMPANY"), I hereby authorize COMPANY to withdraw funds by initiating entries to my account at the financial institution indicated above ("BANK"), and to initiate adjustments for any erroneous transactions if necessary, **every third day after the end of each royalty period (currently Monday through Sunday) or at such other intervals established by COMPANY.** I agree to submit accurate and complete sales reports ("Reports") to COMPANY at the times noted above or at such other interval established by COMPANY. COMPANY agrees that the amount due on each Report for royalties, marketing fees, insurance premiums, CFB invoices and processing fees owed, any other fees (but not national convention participation deposits) and other amounts designated by me, will be the amount withdrawn from my account unless COMPANY notifies me of an adjusted amount. National convention participation deposits will be withdrawn each Tuesday from my account after the close of business or at such other interval established by COMPANY. I further authorize COMPANY to initiate entries for any amounts owed by me, including but not limited to amounts owed for RMA fees and assessments, other program fees, equipment and/or supplies or any other monies I periodically owe to COMPANY, on notice to me. I authorize BANK to accept all entries by COMPANY to my account

{SIGNATURE PAGE IMMEDIATELY FOLLOWING}

FRANCHISEE:

By: _____

Name/Title: _____

Date: _____

By: _____

Name/Title: _____

Date: _____

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Attachment 9

SITE SELECTION ACKNOWLEDGMENT AGREEMENT

This Site Selection Acknowledgment Agreement is entered between Annex Brands, Inc. ("Franchisor") and the person or Business Entity signing below ("Franchisee") with an effective date of _____.

Franchisee has proposed the location ("site") to Franchisor for the operation of the Center:

Franchisor has consented to such site, subject to the provisions of this document and the Franchise Agreement covering such site.

Franchisee represents, acknowledges and agrees as follows:

Although Franchisor, and/or one or more companies/persons referred by and/or affiliated/associated with it, may assist Franchisee in the site location, identification, securing, financing and/or development process and related steps or otherwise by providing consultation, evaluation and/or other assistance, including but not limited to providing references to potential locations, contractors, real estate agents, site selection specialists and other professionals, (all of the foregoing, along with all other matters related in any way to the site, whether discussed in this document or not, being referred to as "site-related matters") and the selection of a site by Franchisee is subject to Franchisor's reasonable acceptance, neither Franchisor nor any company or person has recommended or approved or will recommend or approve any particular location or any related services to Franchisee nor will have any liability with respect to any location to be selected, obtained and/or used by Franchisee or any site-related matters.

Franchisee is the person who must ultimately select, obtain and develop the site and Franchisee will be the only person and/or company with any responsibility for those decisions and all site-related matters. Acceptance by Franchisor of any location is in no way a recommendation, approval or endorsement of such location nor a representation or warranty as to its legal or business availability, suitability, appropriateness, success potential or otherwise. Franchisee has independently selected and obtained rights to the site.

FRANCHISEE UNDERSTANDS AND AGREES THAT THE SELECTION AND SECURING OF A SITE, THE NEGOTIATION OF A LEASE OR PURCHASE, THE SELECTION OF DEVELOPERS, REAL ESTATE AGENTS, SITE SELECTION SPECIALISTS, CONTRACTORS, ETC., FINANCING, GOVERNMENTAL APPROVALS AND ALL OTHER STEPS RELATED TO THE SITE ARE EXCLUSIVELY AND ENTIRELY FRANCHISEE'S SOLE AND COMPLETE RESPONSIBILITY AND THAT NEITHER FRANCHISOR NOR ANY OTHER PERSON OR COMPANY WILL HAVE ANY LIABILITY WITH RESPECT TO FRANCHISEE'S SITE, ITS EVALUATION, SELECTION, LEASE/PURCHASE NEGOTIATION, FINANCING, REVIEW OF DOCUMENTS, CONSTRUCTION, BUILD OUT, COMPLIANCE WITH LOCAL REQUIREMENTS, SUITABILITY FOR ANY USE OR PURPOSE OR OTHERWISE, ALL SUCH

RESPONSIBILITIES BEING SOLELY FRANCHISEE'S. FRANCHISEE FURTHER AGREES THAT SPECIFIC STREET LOCATION IS NOT A SIGNIFICANT FACTOR IN THE POSSIBLE SUCCESS OF FRANCHISEE'S CENTER. FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS NOT RELIED ON ANY ADVICE, APPROVALS, CONSENTS, ASSISTANCE OR OTHERWISE BY FRANCHISOR OR ANY OTHER PERSON OR COMPANY WITH RESPECT TO ANY SITE-RELATED MATTERS AND BY SIGNING THIS AGREEMENT FRANCHISEE IRREVOCABLY WAIVES ANY PRESENT OR FUTURE CLAIMS RELATED TO ANY SITE-RELATED MATTERS.

Franchisor cannot guarantee success for any location nor will acceptance of a site by Franchisor be deemed a representation that any particular site is available or legally or business-wise appropriate for use as a Center. Franchisee understands and agrees that without Franchisor's ability to limit its liability as set forth in this document and with respect to all site-related matters, Franchisor would not be willing to grant a Franchise to Franchisee or to be involved in any way in assisting Franchisee in any site-related matters and would consider developing the site as a company-owned Center only.

Franchisee understands and agrees that the selection and securing of any site (including but not limited to the site identified above) is and has been exclusively and entirely Franchisee's sole responsibility, that site selection is an art rather than a science, that no site selection process can assure success, that a multitude of factors (location being only one) may be significant in a business' success, and that neither Franchisor nor any other person or company will have any liability with respect to the site listed above or any other site selected, obtained and/or used by Franchisee, its evaluation, lease/purchase negotiation, construction, build out, compliance with local requirements, suitability for any use or purpose or otherwise, all such responsibilities being solely those of the Franchisee.

Franchisor (having no obligation to do so) may have made or may make available to Franchisee standard and/or site specific plans and specifications to be utilized by Franchisee in the construction of the Center. Franchisee will obtain, at Franchisee's sole expense, all further qualified architectural and engineering services to prepare surveys, site and foundation plans and adapt any plans and specifications to the site and all applicable laws, regulations and ordinances. Neither Franchisor nor any person or company recommended by and/or affiliated in any way with Franchisor will have any liability with respect to any plans, specifications and/or other items/services provided to Franchisee (or otherwise) and/or to be utilized in the construction, operation or otherwise of the Center, or any deviations or modifications, nor with respect to the acquisition, preparation, construction, operation or otherwise of a Center, whether in accordance with standard plans or otherwise, all such responsibilities being solely Franchisee's.

Franchisee is signing this document on its individual, joint and several behalf and on behalf of all other individuals and/or entities who have executed a Franchise Agreement as franchisees and represents that the individuals listed below are the sole persons with any financial or other interest in the Center owned by the undersigned. Any disputes between Franchisee and Franchisor regarding this document and/or any matters related to it will be resolved in accordance with the dispute avoidance and resolution provisions of the Franchise Agreement and all owners, directors, officers, employees, attorneys, accountants and agents of the Franchisor will receive at least the same benefits from this document as the Franchisor.

This Site Selection Acknowledgment Agreement does not waive any liability Franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

FRANCHISEE:

By: _____

Name/Title: _____

Date: _____

By: _____

Name/Title: _____

Date: _____

FRANCHISOR:

ANNEX BRANDS, INC or its designee

By: _____

Name/Title: _____

Date: _____

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Attachment 10

**AUTHORIZATION FOR BACKGROUND CHECK AND WAIVER OF LIABILITY
AND AUTHORIZATION FOR RELEASE OF INFORMATION**

I/we, _____ (“Franchisee”), hereby authorize Annex Brands, Inc. (“Franchisor”), to investigate Franchisee’s background as it deems necessary in its Business Judgment. Franchisee understands that Franchisor may use an outside firm(s) to assist it in checking such information, and Franchisee specifically authorizes such an investigation by information services and outside entities of the Franchisor’s choice. Franchisee understands that Franchisee may withhold permission and that in such a case, no investigation will be done, however, the execution of the Franchise Agreement by Franchisor may not be processed.

Franchisee hereby authorizes a representative of the Franchisor bearing this release to obtain any information from credit reporting agencies, employers, individuals, schools, residences or criminal justice agencies relating to Franchisee’s activities, in Franchisor’s Business Judgment and as Franchisor deems necessary. This information may include, but is not limited to, academic, achievement, arrest, attendance, conviction, credit, disciplinary, performance, personal history and residential records. Franchisee hereby directs you to release such information on request of the bearer.

Franchisee hereby releases and holds harmless any individual, including but not limited to record custodians, from any and all liability, whether from negligence or violation or any other applicable legal standard that may potentially result from the release and/or use of such information.

FRANCHISEE:

By: _____

Name/Title: _____

Date: _____

By: _____

Name/Title: _____

Date: _____

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Attachment 11

NON-COMPETITION AND NON-SOLICITATION AGREEMENT

This Non-Competition and Non-Solicitation Agreement ("Agreement") is entered into by and between Annex Brands, Inc. ("ABI") and _____ ("Covenantor"), with an effective date of _____.

RECITALS

WHEREAS, Covenantor is either (1) "Franchisee" named in a Franchise Agreement that is being executed corresponding to this Agreement ("Franchise Agreement"), or (2) an equity owner of the legal entity (corporation, LLC, partnership, etc.) that is named as "Franchisee" in such Franchise Agreement, and operates a franchised business ("Franchisee's Center") under any of the trademarks and/or service marks ("Marks") of ABI;

WHEREAS, Covenantor acknowledges that ABI has a legitimate business interest in protecting its franchisees from unfair competition by an existing or former franchisee that has or had special, intimate knowledge of ABI's valuable Trade Secrets and Confidential Information and proprietary operating methods;

WHEREAS, Covenantor acknowledges that ABI has a legitimate business interest in protecting its franchisees from unfair competition by an existing or former ABI franchisee that transfers (without permission) the goodwill associated with ABI's Marks to a business that competes with ABI's franchisees;

WHEREAS, Covenantor acknowledges that ABI has a legitimate business interest in protecting its franchisees from unfair competition by an existing or former franchisee that is able to take advantage of the knowledge and experience gained as an ABI franchisee by operating its new business without having to continue to pay royalty fees and other fees for access to such information, thereby placing at a competitive disadvantage such remaining ABI franchisees that continue to abide by their contractual obligations;

WHEREAS, Covenantor acknowledges that (1) ABI has a legitimate business interest in refranchising the formerly protected territory of a former franchisee, and (2) ABI would suffer irreparable harm absent this Agreement because it would be unable to attract new franchisees to the area served by its former franchisee;

WHEREAS, Covenantor acknowledges that ABI has a legitimate business interest in protecting its franchisees from unfair competition by an existing or former franchisee that diverts or attempts to divert business from any Center (as that term is defined in the Franchise Agreement) or Retail Center (as that term is defined in the Franchise Agreement) to a competitor; and

WHEREAS, Covenantor acknowledges that ABI requires the execution of this Agreement as an ancillary requirement to ABI's simultaneous grant of the Franchise under the Franchise Agreement to, as applicable, (i) Covenantor, or (ii) a legal entity (corporation, LLC, partnership, etc.) of which Covenantor is an equity owner.

NOW, THEREFORE, in express acknowledgement and recognition of the importance of the foregoing recitals, the parties agree as follows:

1. Consideration In Exchange For Covenantor's Covenants in This Agreement.

Covenantor hereby expressly acknowledges and confirms that all of the valuable benefits, advantages and opportunities enjoyed by Covenantor immediately on (and solely as a result of) Covenantor's (or, as applicable, Covenantor's legal entity) becoming Franchisee under the Franchise Agreement (which occurs simultaneous to, and corresponding with, the execution of this Agreement) serve as valuable and adequate consideration received in simultaneous exchange for all of Covenantor's promises and covenants made in this Agreement.

2. Covenantor's In-Term Non-Competition and Non-Solicitation Covenants.

During the term of the Franchise under the Franchise Agreement, and without geographic restriction, Covenantor will not directly or indirectly (such as through corporations or other entities controlled by Covenantor or by, through or in conjunction with, any other individual person or persons including but not limited to Covenantor's spouse if any, relatives, employees or business affiliates):

- a. divert or attempt to divert any business or Customer of any Center or Retail Center to any competitor or do anything injurious or prejudicial to the goodwill associated with ABI's proprietary Marks or System;
- b. own, maintain, engage in, be associated with, be employed by, advise, assist, invest in, be landlord to, franchise, make loans to or have any interest in any business which is the same, competes with, or is substantially similar to any Center or Retail Center; and/or
- c. enter into a business relationship with an ABI Corporate Account, outside of ABI's Corporate Account program, unless pre-authorized by ABI in writing.

3. Covenantor's Post-Term Non-Competition and Non-Solicitation Covenants.

- a. For purposes of this Section 3, the term "Conclusion" means the expiration, non-renewal, Repurchase, Termination or transfer, of the Franchise under the Franchise Agreement, regardless of whether such expiration, non-renewal, Repurchase, Termination, or Transfer occurs prior to, or at the end of, the Franchise's term.
- b. On the Conclusion of the Franchise under the Franchise Agreement, and in accordance with the time period and geographic restrictions set forth below, Covenantor will not directly or indirectly (such as through corporations or other entities controlled by Covenantor or by, through or in conjunction with, any other individual person or person, including but not limited to Covenantor's spouse if any, relatives, employees or business affiliates):
 - i. divert or attempt to divert any business or Customer of any Center or Retail Center to any competitor, or do anything injurious or prejudicial to the goodwill associated with ABI's Marks or System for a two (2) year period

following the Conclusion of the Franchise under the Franchise Agreement and without geographic restriction;

- ii. own, maintain, engage in, be associated with, be employed by, advise, assist, invest in, be landlord to, franchise, make loans to, or have any interest in any business which is the same, competes, or is substantially similar to, Franchisee's Center or any Center or Retail Center, which is located within 15 miles of Franchisee's former Center or any Center or Retail Center in operation or under construction as of the Conclusion of the Franchise under the Franchise Agreement (with such restriction limited to a two (2) year period following the Conclusion of the Franchise under the Franchise Agreement); and/or
 - iii. enter into any business relationship with any terminated (former) Corporate Account(s) of any Center or Retail Center for a one (1) year period following ABI's termination of any of its Corporate Accounts.
- c. As an alternative to Subsection 3(b)(iii) above, and only if Franchisee's Center is located in a state whose public policy disfavors the enforceability of post-term non-competition covenants against franchisees, then on the Conclusion of the Franchise under the Franchise Agreement, in accordance with the time period and geographic restrictions set forth below, Covenantor will not directly or indirectly (such as through corporations or other entities controlled by Covenantor or by, through or in conjunction with, any other individual person or persons including but not limited to Covenantor's spouse if any, relatives, employees or business affiliates), own, maintain, engage in, be associated with, be employed by, advise, assist, invest in, be landlord to, franchise, make loans to, or have any interest in any business which is the same, competes with, or is substantially similar to any Center, and:
- i. which sells packaging and shipping services (which constitute only a limited portion of all Products and Services sold by Centers);
 - ii. which is located at the Premises of Franchisee's Center; and
 - iii. with such partial restriction limited to a six (6) month period following the Conclusion of the Franchise under the Franchise Agreement.
- d. ABI may (in its Business Judgment) at any time unilaterally reduce the scope of any part of the post-term non-competition covenant to something less than the restriction provided in Section 3 of this Agreement, and Covenantor agrees and promises to comply with any such reduced restriction on receipt of written notice from ABI.

4. ABI's Franchise System.

Covenantor acknowledges that its obligations and ABI's rights under this Agreement extend to ABI's entire franchise system, including but not limited to its Centers, its Retail Centers, its System, its former franchisees, its Marks and its Corporate Accounts.

5. Exception to Non-Competition Covenants.

The non-competition covenants described will not apply to the ownership by Covenantor of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation.

6. Suspension of Non-Compete Time Periods During Dispute Resolution Proceedings.

In the event that this Agreement or the Franchise Agreement become the subject of any mediation, arbitration or litigation, then the applicable post-term time periods referenced above in Section 3 (or as may be determined by arbitrator or judge) will (a) be suspended during the entirety of any such dispute resolution proceedings; and (b) to the maximum extent found enforceable, begin to run from the date that Covenantor complies with this Agreement.

7. Severability.

It is the parties' desire and intention that the covenants contained in this Agreement will be construed as agreements severable from and independent of each other and of any other provision of this or any contract or agreement between the parties, except that any violation of Section 2 of this Agreement by Covenantor will also constitute a default by Franchisee of the Franchise Agreement corresponding to this Agreement. It is the parties' further desire and intention that if any court of competent jurisdiction finds (in a final judgment to which ABI and Covenantor are parties) that any portion of any covenant in this Agreement is invalid or unenforceable, then the maximum legally allowable restriction permitted by applicable law will control and bind Covenantor.

8. Injunctions.

Covenantor recognizes and agrees that the injury ABI and certain of its franchisees will suffer in the event of Covenantor's breach of any covenant contained in this Agreement cannot be compensated by monetary damages alone. Covenantor therefore agrees that in the event of a breach or threatened breach by Covenantor of this Agreement, ABI, in addition to and not in limitation of, any other rights, remedies, or damages available to ABI at law, in equity, under this Agreement or otherwise, will be entitled to seek an injunction from any court of competent jurisdiction in order to prevent or restrain any such breach by Covenantor or by Covenantor's agents, representatives, partners, co-owners, or any and all other persons directly or indirectly acting for or with him, her, or them.

9. Enforcement Costs.

Covenantor promises to pay to ABI all of the costs and expenses (including but not limited to reasonable attorneys' fees) incurred by ABI in connection with its enforcement of this Agreement.

10. Choice of Law and Dispute Resolutions.

This Agreement will be (a) deemed made and entered into, and (b) construed and governed under and in accordance with the laws of the State where Franchisee's Center is located (that is owned and operated by Covenantor or, as applicable, Covenantor's legal entity). Any party may, but is not required to, submit to any court of competent jurisdiction any controversy, dispute or claim involving a request for monetary or injunctive relief concerning any Mark, involving a request for

injunctive relief concerning any lease of real estate, or involving a request for temporary injunctive relief seeking enforcement of this Agreement. Except as provided in the previous sentence, all disputes arising out of or relating to this Agreement, or rendered under this Agreement, or a default of this Agreement, that cannot be settled amicably, will be resolved by arbitration in San Diego, California before 1 neutral arbitrator and administered under the Commercial Arbitration Rules of the American Arbitration Association. Any provisional or equitable remedy that would be available from a court of law will be available from the arbitrator. Judgment on the award of the arbitrator may be enforced in any court having jurisdiction thereof. The parties consent to the non-exclusive jurisdiction of the federal and state courts located in San Diego County, California for any action (a) to compel arbitration, (b) to enforce the award of the arbitrator or (c) at any time before the qualification and appointment of the arbitrator, for temporary, interim or provisional equitable remedies. The parties further consent to service of process in any such action by certified mail, return receipt requested, or by any other means permitted by law.

11. Counterparts, Entire Agreement and Amendments.

This Agreement may be executed in counterparts, each of which will be deemed an original and all of which together will constitute 1 document. Emailed or other electronic signatures of the parties will be deemed to constitute original signatures, and emailed or other electronic copies hereof will be deemed to constitute duplicate original counterparts. This Agreement contains the entire agreement of the parties pertaining to the subject matter hereof, and no prior or contemporaneous representations, inducements, promises, or agreements, oral or otherwise, between the parties not set forth herein will be of any force and effect. Any modifications to this Agreement must be accomplished by a written agreement signed by both parties.

AGREED TO AND ACCEPTED BY:

COVENANTOR:

By: _____

Name/Title: _____

Date: _____

By: _____

Name/Title: _____

Date: _____

FRANCHISOR:

ANNEX BRANDS, INC.

By: _____

Name/Title: _____

Date: _____

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Attachment 12

INTERNATIONAL OCEAN PROGRAM SALES AGENCY AGREEMENT

This Sales Agency Agreement (“Agreement”) is entered into by and between Annex Brands, Inc. (“Franchisor”), who is a Non-Vessel Operating Common Carrier (“NVOCC”) under the Federal Maritime Commission OTI License No. 023289NF, and _____ (“Franchisee”) regarding Franchisee’s engagement by Franchisor to act as a sales agent (“Ocean Freight Broker”) as set forth below.

Federal shipping regulations define an Ocean Freight Broker as an entity which is engaged by a carrier (NVOCC) to secure cargo for such carrier and/or to sell or offer for sale ocean transportation services, and which holds itself out to the public as one who negotiates between shipper or consignee and carrier for the purchase, sale, conditions and terms of transportation. (See 46 CFR Sec. 5152(n).)

Franchisee hereby acknowledges that it is NOT an ocean freight forwarder or a NVOCC, and that it does or will not provide either ocean freight forwarding or NVOCC services. Franchisee will act ONLY as an Ocean Freight Broker. Moreover, Franchisee hereby acknowledges that it does not have or will not a direct or indirect beneficial interest in any shipment being forwarded.

As an Ocean Freight Broker, Franchisee agrees that it will not provide NVOCC or ocean freight forwarding services under this Agreement and will disclose to all shippers that Franchisee is acting solely as an Ocean Freight Broker on behalf of Franchisor.

This Agreement is effective when Franchisor signs and accepts that certain Franchise Agreement with an effective date of _____ (“Franchise Agreement”) by and between Franchisor and Franchisee. This Agreement will automatically terminate on expiration, termination or non-renewal of the franchise granted under the Franchise Agreement. Franchisor will have the right to terminate this Agreement immediately if Franchisee breaches any of the terms of this Agreement or any of the terms of the Franchise Agreement.

{SIGNATURE PAGE IMMEDIATELY FOLLOWING}

FRANCHISEE:

Sales Agent/Ocean Freight Broker

By:_____

Name/Title:_____

Date:_____

By:_____

Name/Title:_____

Date:_____

FRANCHISOR:

ANNEX BRANDS, INC.,

Non-Vessel Operating Common Carrier – FMC License No. 023289NF

By:_____

Name/Title:_____

Date:_____

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Attachment 13

SBA ADDENDUM TO FRANCHISE¹ AGREEMENT

{Note: Franchisee may be required to sign this standard form, or the then-current standard form approved by the U. S. Small Business Administration.}

THIS ADDENDUM ("Addendum") is made and entered into on _____, by and between Annex Brands, Inc. ("Franchisor"), located at 7580 Metropolitan Drive, Suite 200, San Diego, CA 92108 and _____ (Franchisee"), located at) _____.

Franchisor and Franchisee entered into a Franchise Agreement on _____ (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign

CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

FORCED SALE OF ASSETS

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

¹ While relationships established under license, jobber, dealer and similar agreements are not generally described as "franchise" relationships, if such relationships meet the Federal Trade Commission's (FTC's) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

COVENANTS

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 – 3733.

Authorized Representative of FRANCHISOR:

By: _____

Name: _____

Title: _____

Authorized Representative of FRANCHISEE:

By: _____

Name/Title: _____

Date: _____

By: _____

Name/Title: _____

Date: _____

Note to Parties: This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements.

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EXHIBIT C

**COMMERCIAL LOGISTICS CENTER FRANCHISEES
AND COMPANY-OWNED COMMERCIAL LOGISTICS CENTERS**

AS OF SEPTEMBER 30, 2022

NAVIS PACK & SHIP FRANCHISEES					
FRANCHISE OWNER	ADDRESS				PHONE NO.
Kimmer Enterprises, Inc.	5002 S 40th St Ste L	Phoenix	AZ	85040-2962	(480) 354-7000
Vahe Yacoubian	6280 Peachtree St	Commerce	CA	90040-4015	(213) 338-7525
L.E. Perez, Inc.	1847 Dana St	Glendale	CA	91201-2044	(818) 956-1137
Narinder and Jotinder Sandhu	19424 Cabot Blvd	Hayward	CA	94545-1140	(925) 460-8455
Narinder and Jotinder Sandhu*	c/o 19424 Cabot Blvd	San Jose (Menlo Park)	CA	94545-1140	(650) 365-8600
Narinder and Jotinder Sandhu*	c/o 19424 Cabot Blvd	San Jose	CA	94545-1140	(408) 955-7225
Raghibir S. & Nirmal K. Mangat	11415 Sunrise Gold Cir Ste 10	Rancho Cordova	CA	95742-6582	(916) 638-3200
Stephen Dale and Vicki Lee Collo	7848 Silverton Ave Ste A	San Diego	CA	92126-6308	(858) 549-7225
Narinder & Jotinder Sandhu	2110 Palou Ave Unit A	San Francisco	CA	94124-1503	(415) 227-0776
Moore Logistics, Inc.	33047 Calle Aviador Ste E	San Juan Capistrano	CA	92675-4760	(949) 458-3672
Raybern Packaging, Inc.	10-910 Rowntree Dairy Rd	Woodbridge	ON, Canada	L4L 5W5	(905) 264-5984
Raybern Packaging, Inc.*	c/o 10-910 Rowntree Dairy Rd	Woodbridge (Burlington)	ON, Canada	L4L 5W5	(905) 777-8004
Raybern Packaging, Inc.*	c/o 10-910 Rowntree Dairy Rd	Woodbridge (Toronto)	ON, Canada	L4L 5W5	(416) 201-4441
Lion Answers, LLC	3005 Pennsylvania Ave	Colorado Springs	CO	80907-5647	(719) 633-2988
Keith & Kelli Binzer	1630 W Evans Ave Ste J	Englewood	CO	80110-1097	(303) 455-8080
Colorado Logistics Group, Inc. *	c/o 1630 W Evans Ave Ste J	Commerce City (Denver)	CO	80110-1098	(303) 734-9517
AJA Ventures, Inc.	7830 Drew Cir Ste 12	Fort Myers	FL	33967-6003	(239) 689-5512
Timothy W. Bowser	920 W 2nd St	Lakeland	FL	33805-4228	(863) 279-1335
1st Choice Pack & Ship of Greater Atlanta, Inc.	963 N Burnt Hickory Rd Ste G	Douglasville	GA	30134-3987	(770) 693-2100
All Hands Logistics, LLC	1100 Taylor Ave Ste 102	Meridian	ID	83642-7739	(208) 322-9459
Safe 2 Ship LLC	5024 Chase Ave	Downers Grove	IL	60515-4013	(630) 663-1310
Tourville Enterprises, Inc.	2377 Oak Leaf St	Joliet	IL	60436-1008	(815) 630-5673
Our Gratitude Inc.	7220 Georgetown Rd Ste 300	Indianapolis	IN	46268-5121	(317) 999-7963
Robert C. Resker	111 Milk St	Westborough	MA	01581-1211	(508) 870-3111
Third Day Enterprises, LLC	6671 Santa Barbara Rd Ste E	Elkridge	MD	21075-5842	(410) 737-8020
Bag N Wag, Inc.	4245 44th St SE Ste 8	Grand Rapids	MI	49512-4053	(616) 803-0006
IPack4U, LLC	22870 Venture Dr Ste A	Novi	MI	48375-4185	(248) 692-0007
Gregory Carl Hammer	1170 Eagan Industrial Rd Ste 6	Eagan	MN	55121-1281	(651) 209-7194
RPG Enterprises, Inc.	1040 Corporation Pkwy Ste 116	Raleigh	NC	27610-1367	(919) 832-9006
RPG Enterprises, Inc.*	c/o 1040 Corporation Pkwy Ste 116	Raleigh	NC	27610-1367	(919) 467-0084

NAVIS PACK & SHIP FRANCHISEES					
FRANCHISE OWNER	ADDRESS				PHONE NO.
Jotinder Sandhu	6185 S Valley View Blvd Ste L	Las Vegas	NV	89118-3919	(702) 494-9616
Jotinder Sandhu*	c/o 6185 S Valley View Blvd Ste L	Las Vegas	NV	89118-3919	(702) 494-9616
Hugh Greenwood	179 N Main St	Freeport	NY	11520-2222	(516) 640-4845
RTK Enterprises of Columbus, LLC	11427 Reed Hartman Hwy Ste V100	Cincinnati	OH	45241-248	(614) 706-5958
RTK Enterprises of Columbus, LLC	5738 Westbourne Ave	Columbus	OH	43213-1400	(614) 706-5958
BAM-HEAN, LLC	13107 NE Airport Way	Portland	OR	97230-1036	(503) 384-2270
Greenlight Global Logistics Inc.	701B Ashland Ave	Folcroft	PA	19032-2026	(610) 534-0750
Tight Line Services, LLC.	6720 Elbow Rd	Conway	SC	29527-6471	(843) 397-9556
Capstone Logistics, LLC	6075 E Shelby Dr Ste 4	Memphis	TN	38141-7613	(901) 800-2642
Wortley, Inc.	11009 Shady Trl	Dallas	TX	75229-5603	(972) 870-1212
Wortley, Inc.*	c/o 11009 Shady Trl	Dallas	TX	75229-5603	(817) 589-1569
James and Janice M. Washington	9364 Wallisville Rd Ste 100	Houston	TX	77013-4639	(281) 974-5921
Patrick J. Hughes	6040 Brittmoore Rd Ste J	Houston	TX	77041-5641	(713) 352-3038
G. Colebrook Enterprises Corp.	2943 W Parkway Blvd	Salt Lake City	UT	84119-1986	(801) 487-1036
Blast Corp.	7082 S 220th St	Kent	WA	98032-1910	(253) 872-4443

* Location currently operated remotely through franchisee's existing physical warehouse

NAVIS PACK & SHIP FRANCHISEES			
Franchise Agreements Signed but not Open as of 09/30/22			
FRANCHISE OWNER	CENTER ADDRESS	CITY	ST
Dominique Corsi & Damien Leroux	4203 Air Cargo Rd Ste 7	Tampa	FL
Michelle Heitkamp-Begg & Austin	11501 Columbia Park Dr W Ste	Jacksonville	FL

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

HANDLE WITH CARE PACKAGING STORE FRANCHISEES					
FRANCHISE OWNER	ADDRESS				PHONE NO.
The Packaging Store LLC	549 W Intl Airport Rd Ste A10	Anchorage	AK	99518-1113	(907) 563-9876
Barry Fleisher	1207 S Pacific Coast Hwy	Redondo Beach	CA	90277-4905	(310) 540-1133
David Cardenas	2128 Knoll Dr Ste C	Ventura	CA	93003-7325	(805) 658-1872
Charlie and Amy Langella	1 S Fairview Ave Ste C	Goleta	CA	93117-3364	(805) 965-3344
Satish Mathur	604 Red Hill Ave	San Anselmo	CA	94960-2461	(415) 457-1234
Ravinder Singh	17895 Sky Park Cir Ste B	Irvine	CA	92614-6306	(949) 752-8468
Jampack, Inc.	360 Fairfield Ave Ste 5	Stamford	CT	06902-7249	(203) 329-0301
Zipshipper, Inc.	125 NW 13th St Ste 1	Boca Raton	FL	33432-1646	(561) 392-8292
Robert Petersen, III and Kathryn M. Petersen	1516 Barlow Street	Traverse City	MI	49686-4315	(231) 929-7225
Dakai, Inc.	6663 SW Beaverton Hillsdale Hwy	Portland	OR	97225-1499	(503) 292-2025
Pac-Move, Inc.	620 W Ferguson St Ste B	Pharr	TX	78577-2409	(956) 781-6913

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

COMPANY-OWNED COMMERCIAL LOGISTICS CENTERS

NONE

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EXHIBIT D

FORMER COMMERCIAL LOGISTICS CENTER FRANCHISEES

(FOR FISCAL YEAR ENDED SEPTEMBER 30, 2022)

NAVIS PACK & SHIP			
FORMER FRANCHISEES			
ST	FRANCHISE OWNER	CITY/STATE/ZIP	PHONE NO.
<u>Transfers</u>			
PA	Peter Michaelson	Philadelphia, PA 19104	(267) 639-6204
<u>Left for Other Reasons</u>			
CT & NC	Scott Walker <i>(Closed 2 Centers)</i>	Avon, CT 06001	(860) 930-3372
FL	Jo Ann Reed Bond	Jacksonville, FL 32216	(904) 264-6914

HANDLE WITH CARE PACKAGING STORE			
FORMER FRANCHISEES			
ST	FRANCHISE OWNER	CITY/STATE/ZIP	PHONE NO.
<u>Left for Other Reasons</u>			
AK	David Coombes	Soldotna, AK 99669	907-260-4862

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

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EXHIBIT E

FRANCHISEE ORGANIZATIONS

Commercial Logistics Center Franchisee Advisory Council

Marc Oxford, Chairman
Navis Pack & Ship #1062TX
11009 Shady Trail, Dallas, TX 75229-5603
(972) 870-1212
Marc.Oxford@gonavis.com
www.gonavis.com/location/home/dallas/tx1062

EXHIBIT F
FINANCIAL STATEMENTS

ANNEX BRANDS, INC. AND SUBSIDIARY

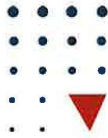
**INDEPENDENT AUDITORS' REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS**

**As of September 30, 2022 and 2021,
and for the Years Ended
September 30, 2022, 2021, and 2020**

ANNEX BRANDS, INC. AND SUBSIDIARY

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Consolidated Statements of Shareholders' Equity.....	5
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Notes to Consolidated Financial Statements	7 – 14



**LAVINE, LOFGREN, MORRIS
& ENGELBERG, LLP**

**CERTIFIED
PUBLIC
ACCOUNTANTS**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Annex Brands, Inc.
San Diego, California

Opinion

We have audited the accompanying consolidated financial statements of Annex Brands, Inc. and Subsidiary (together, the "Company"), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of income, shareholders' equity, and cash flows for the years ended September 30, 2022, 2021, and 2020, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Annex Brands, Inc. and Subsidiary as of September 30, 2022 and 2021, and the results of their operations and their cash flows for the years ended September 30, 2022, 2021, and 2020, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Lavine, Lofgren, Morin & Engelberg, LLP

La Jolla, California
December 29, 2022

ANNEX BRANDS, INC. AND SUBSIDIARY**Consolidated Balance Sheets
As of September 30, 2022 and 2021**

	2022	2021
ASSETS		
Current assets:		
Cash	\$ 12,554,000	\$ 11,390,000
Accounts receivable, net of allowance for doubtful accounts of \$924,000 and \$899,000, respectively	957,000	1,165,000
Inventory	-	12,000
Prepaid expenses and other current assets	640,000	726,000
Total current assets	14,151,000	13,293,000
Property and equipment, net	678,000	823,000
Deposits and other noncurrent assets	1,218,000	596,000
Other intangible assets, net	441,000	1,059,000
Goodwill, net	-	128,000
Total assets	\$ 16,488,000	\$ 15,899,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,783,000	\$ 2,708,000
Deferred franchise revenue	262,000	232,000
Total liabilities	3,045,000	2,940,000
Shareholders' equity:		
Common stock, no par value, 1,000,000 shares authorized, 60,050 and 59,495 shares issued and outstanding as of September 30, 2022 and 2021, respectively	3,731,000	3,638,000
Retained earnings	9,712,000	9,321,000
Total shareholders' equity	13,443,000	12,959,000
Total liabilities and shareholders' equity	\$ 16,488,000	\$ 15,899,000

See accompanying notes to consolidated financial statements.

ANNEX BRANDS, INC. AND SUBSIDIARY

Consolidated Statements of Income For the Years Ended September 30, 2022, 2021, and 2020

	2022	2021	2020
Revenue:			
Continuing franchise fees	\$ 15,260,000	\$ 14,911,000	\$ 12,423,000
Freight	3,594,000	3,129,000	2,393,000
Insurance, customer referrals and other	4,179,000	4,635,000	3,985,000
Merchandise and equipment sales	634,000	540,000	646,000
Unit franchises sold	428,000	455,000	438,000
Total revenue	24,095,000	23,670,000	19,885,000
Cost of revenue:			
Cost of freight	3,367,000	2,948,000	2,204,000
Cost of merchandise and equipment sold and direct franchise costs	547,000	487,000	606,000
Cost of insurance premiums, claims, customer referrals and other	3,301,000	3,276,000	2,670,000
Total cost of revenue	7,215,000	6,711,000	5,480,000
Gross profit	16,880,000	16,959,000	14,405,000
Selling, general, and administrative expenses	9,592,000	9,936,000	9,623,000
Income from operations	7,288,000	7,023,000	4,782,000
Other income (expense):			
Interest income (expense), net	12,000	3,000	(1,000)
Paycheck Protection Program loan forgiveness	-	597,000	-
Other income, net	176,000	28,000	64,000
Other income, net	188,000	628,000	63,000
Net income	\$ 7,476,000	\$ 7,651,000	\$ 4,845,000

See accompanying notes to consolidated financial statements.

ANNEX BRANDS, INC. AND SUBSIDIARY

**Consolidated Statements of Shareholders' Equity
For the Years Ended September 30, 2022, 2021, and 2020**

	Common Stock	Retained Earnings	Total
Balance at September 30, 2019	\$ 3,336,000	\$ 4,564,000	\$ 7,900,000
Net income	-	4,845,000	4,845,000
Share-based compensation (stock options)	-	24,000	24,000
Distributions	-	(3,078,000)	(3,078,000)
Stock options exercised (355 shares)	67,000	-	67,000
Balance at September 30, 2020	3,403,000	6,355,000	9,758,000
Net income	-	7,651,000	7,651,000
Share-based compensation (stock options)	-	24,000	24,000
Distributions	-	(4,709,000)	(4,709,000)
Stock options exercised (1,305 shares)	235,000	-	235,000
Balance at September 30, 2021	3,638,000	9,321,000	12,959,000
Net income	-	7,476,000	7,476,000
Distributions	-	(7,085,000)	(7,085,000)
Stock options exercised (555 shares)	93,000	-	93,000
Balance at September 30, 2022	<u>\$ 3,731,000</u>	<u>\$ 9,712,000</u>	<u>\$ 13,443,000</u>

See accompanying notes to consolidated financial statements.

ANNEX BRANDS, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows For the Years Ended September 30, 2022, 2021, and 2020

	2022	2021	2020
Cash flows from operating activities:			
Net income	\$ 7,476,000	\$ 7,651,000	\$ 4,845,000
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	1,134,000	1,379,000	1,789,000
Gain on sale of corporate store	(218,000)	-	-
Disposal of long-lived assets	3,000	-	-
Forgiveness of Paycheck Protection Program loan	-	(592,000)	-
Share-based compensation	-	24,000	24,000
Provision for bad debts	120,000	120,000	85,000
Changes in net operating assets and liabilities:			
Accounts receivable	48,000	(330,000)	(289,000)
Inventory	2,000	6,000	(4,000)
Prepaid expenses and other current assets	112,000	(59,000)	(59,000)
Deposits and other noncurrent assets	(288,000)	(5,000)	(36,000)
Accounts payable and accrued expenses	92,000	204,000	268,000
Deferred franchise revenue	30,000	9,000	31,000
Net cash provided by operating activities	8,511,000	8,407,000	6,654,000
Cash flows from investing activities:			
Purchase of equipment	(408,000)	(391,000)	(542,000)
Issuance of notes receivable	(43,000)	-	(89,000)
Receipt of payments on notes receivable	96,000	36,000	28,000
Net cash used in investing activities	(355,000)	(355,000)	(603,000)
Cash flows from financing activities:			
Proceeds from note payable	-	-	592,000
Principal repayments on notes payable	-	-	(125,000)
Distributions to shareholders	(7,085,000)	(4,709,000)	(3,078,000)
Proceeds from exercise of stock options	93,000	235,000	67,000
Net used in financing activities	(6,992,000)	(4,474,000)	(2,544,000)
Net increase in cash	1,164,000	3,578,000	3,507,000
Cash at beginning of year	11,390,000	7,812,000	4,305,000
Cash at end of year	<u>\$ 12,554,000</u>	<u>\$ 11,390,000</u>	<u>\$ 7,812,000</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>
Cash paid during the year for income taxes	<u>\$ 205,000</u>	<u>\$ 104,000</u>	<u>\$ 93,000</u>

See accompanying notes to consolidated financial statements.

ANNEX BRANDS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Years Ended September 30, 2022, 2021, and 2020

NOTE 1. NATURE OF BUSINESS

Annex Brands, Inc. and Subsidiary (together, the "Company" or "Annex Brands") was incorporated on June 4, 1986, under the laws of the State of California. The Company was incorporated for the purpose of granting rights to franchise in the United States and internationally. These rights provide for the development and operation of shipping and business service centers specializing in custom packaging, shipping via freight and small package carriers, private mailbox rentals, postal services, notary public, copy and fax services, printing, document scanning, office supplies, and related products and services. The Company's franchisees operate under the PostalAnnex+, PostalAnnex, AIM Mail Centers, Navis Pack & Ship, Handle with Care Packaging Store, Sunshine Pack & Ship, Parcel Plus, and Pak Mail trade names.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Unit franchise agreements grant the holder the right to use the trademarks and systems developed by the Company in the operation of an Annex Brands franchise, at a designated location for a certain period. The period of the original unit franchise agreement may range from ten to twenty years, except for Handle with Care Packaging Store franchises, which have unlimited terms. The unit franchisee pays an initial unit franchise fee at the inception of the agreement. The Company's performance obligations under its franchise agreements include pre-opening services, continuing licensing rights for the Company's intellectual property, and certain other ongoing services over the term of the franchise agreement. Preopening services which are distinct within the contract include (i) location selection and brokerage services, (ii) grand opening advertising assistance, and (iii) initial training provided to the franchisee, among other items. The Company accounts for all pre-opening services as a single performance obligation. Fees associated with pre-opening services are recognized as revenue upon the completion of training to the franchisee, which is when the Company has completed such services. The unit franchisee also pays a continuing franchise fee that is based on a percentage of the unit franchise's gross sales, subject to certain adjustments.

Continuing franchise fees, which are based on a percentage of franchisee sales, are recognized as revenue in the period that they are earned.

Freight, insurance, and customer referral revenue are recognized at the time of shipment.

Merchandise and equipment revenue is recognized upon receipt of payment from the franchisee, which approximates the date of shipment of the merchandise/equipment to the franchisee.

As of September 30, 2022, 2021, and 2020, receivables, net of the allowance for doubtful accounts from franchisees totaled \$957,000, \$1,165,000, and \$955,000, respectively. Deferred revenue associated with initial franchise fees as of September 30, 2022, 2021, and 2020 was \$262,000, \$232,000, and \$223,000, respectively.

ANNEX BRANDS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Years Ended September 30, 2022, 2021, and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable primarily consists of continuing franchise fees. Accounts receivable are stated at the amount the Company expects to collect. Accounts receivable are unsecured, and the Company is at risk to the extent such amounts become uncollectible. Accounts receivable are generally considered past due when payments have not been received within 30 days of the due date. The allowance for doubtful accounts includes management's estimate of the amounts expected to be lost on specific accounts receivable and for losses on non-specific accounts included in accounts receivable. In estimating potential losses, management relies on factors surrounding the credit risk of specific franchisees, historical trends, and other information that assists in management's evaluation. The Company writes off accounts receivable once all the Company's standard collection procedures have been unsuccessful and management determines that the receivable is uncollectible.

Equipment and Leasehold Improvements

Equipment, which includes furniture and fixtures, and leasehold improvements are stated at cost. Depreciation on equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging from two to seven years. The amortization of leasehold improvements is computed using the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

Inventory

Inventory consists of supply-type items, franchise store fixtures and equipment held for resale and is stated at the lower of cost (first-in, first-out) or net realizable value.

Intangible Assets

Intangible assets consist of the cost of purchasing non-Postal Annex+ franchises and the cost to convert certain of those locations to Postal Annex+ operations. The cost is amortized using the straight-line method over the estimated remaining lives of the acquired franchise agreements.

Other intangible assets consist of the following as of September 30:

	<u>2022</u>	<u>2021</u>
Franchise rights and non-competes	\$ 3,030,000	\$ 6,966,000
Trademarks and other intangibles	<u>823,000</u>	<u>823,000</u>
	3,853,000	7,789,000
Less: accumulated amortization	<u>(3,412,000)</u>	<u>(6,730,000)</u>
	<u>\$ 441,000</u>	<u>\$ 1,059,000</u>

Amortization expense of intangible assets for the years ended September 30, 2022, 2021, and 2020, was \$627,000 (including \$9,000 related to goodwill), \$916,000 (including \$29,000 related to goodwill), and \$1,399,000 (including \$28,000 related to goodwill), respectively.

ANNEX BRANDS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Years Ended September 30, 2022, 2021, and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amortization expense for each of the next five years is expected to be as follows for the years ending September 30,

2023	\$	162,000
2024		55,000
2025		55,000
2026		38,000
2027		30,000
Thereafter		101,000
	\$	<u>441,000</u>

Impairment of Long-Lived Assets

The Company reviews its equipment and leasehold improvements and intangibles with finite lives at least annually and assesses the recoverability of these assets by determining whether the balance of the respective asset can be recovered through undiscounted projected cash flows. Intangible assets with indefinite lives are not amortized, but are tested for impairment at least annually or more frequently if circumstances indicate potential impairment. The Company has adopted the use of a qualitative approach in testing other intangible assets for impairment by determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is determined that this is the case, then the Company will perform the prescribed two-step impairment test, by comparing the respective fair values of the intangible assets, calculated as the present value of expected future cash flows, to their carrying amounts.

Advertising

The Company expenses advertising production costs as they are incurred and media placement costs the first time the advertising takes place. For the years ended September 30, 2022, 2021, and 2020, advertising expense totaled \$2,174,000, \$2,263,000, and \$2,006,000, respectively.

Income Taxes

The Company has elected, with the consent of the shareholders, to be taxed as an S Corporation for federal and state income tax purposes, whereby its taxable income or loss is included in the shareholders' personal federal and state income tax returns. Accordingly, no federal tax provision has been recorded in the Company's consolidated financial statements. For state income tax purposes, the Company is subject to certain minimum franchise taxes for the states in which the Company files its income tax returns. Management believes that the Company has not taken any significant uncertain tax positions and that it is no longer subject to income tax examinations for fiscal years prior to 2018 for state purposes and fiscal years prior to 2019 for federal purposes.

The Company has a September 30 year end, while its shareholders, individuals responsible for the tax liabilities of the Company, have a calendar year end. This creates a tax reporting gap for the period October through December. Consequently, the Internal Revenue Service ("IRS") requires the Company to make a deposit to cover estimated income taxes for the three months not reported on the shareholders' federal income tax returns for their current filing year. As of September 30, 2022 and 2021, the Company has \$777,000 and \$513,000, respectively, deposited with the IRS for such purpose. This amount is included in deposits and other noncurrent assets on the accompanying consolidated balance sheets.

ANNEX BRANDS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Years Ended September 30, 2022, 2021, and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-Based Compensation

The Company recognizes as compensation expense the value of all share-based awards, including those granted to employees in exchange for services, over the related service (vesting) period.

The Company estimates the value of its share-based compensation using the calculated value method. The calculated value method permits certain nonpublic companies which do not have sufficient information available regarding the expected volatility of their share prices to account for stock options and similar instruments using the historical volatility of an appropriate industry sector index rather than the expected volatility of their own share price.

Due to the lack of a public market for its shares and its limited history of equity transactions, it is not practicable for the Company to estimate the expected volatility of its stock price. Accordingly, the Company has selected the Dow Jones Select MicroCap industry sector index, an index it believes is most representative of its own position in the market, as an estimate of the expected volatility of its own share price. In calculating the value of its options, the Company uses the volatility of the index for the historical period equal to the expected term of the options granted.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance codified in Accounting Standards Codification ("ASC") 606, "Revenue Recognition - Revenue from Contracts with Customers," which amends the guidance in ASC 605, "Revenue Recognition." The core principle of the standard is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The standard also calls for additional disclosures around the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted this standard effective October 1, 2020. The adoption of ASC 606 did not have a material effect on the Company's consolidated financial statements.

In January 2021, the FASB issued ASU 2021-02, "Franchisors – Revenue from Contracts with Customers", which defines the pre-opening services that may be accounted for as distinct from the franchise license as a practical expedient, and also allows the franchisor to make an accounting policy election to account for the pre-opening services as a single performance obligation. The update is effective for periods beginning after December 15, 2020, with early adoption permitted. The Company adopted ASU 2021-02 effective October 1, 2020. The adoption of ASU 2021-02 did not have a material effect on the Company's consolidated financial statements.

In February 2016, the FASB issued guidance codified in ASC 842, "Leases", which amends the guidance in ASC 840, "Leases". The core principle of the standard is to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet for most leases. Expenses associated with leases will continue to be recognized in a manner similar to current accounting guidance. The Company is required to adopt this standard effective October 1, 2022, with early adoption permitted. The Company is currently evaluating the impact of the new accounting pronouncement, including the enhanced disclosure requirements.

ANNEX BRANDS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Years Ended September 30, 2022, 2021, and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenue and expenses, and the disclosure of assets and liabilities to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events through the date of the independent auditors' report, which is the date these consolidated financial statements were available to be issued.

NOTE 3. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company maintains its cash in bank accounts which, at times, may exceed federally-insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

Concentrations of credit risk with respect to accounts receivable are limited because a large number of geographically diverse franchisees make up the Company's customer base. The Company performs credit evaluations of its franchisees but generally does not require collateral to support accounts receivable.

NOTE 4. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of the following as of September 30:

	<u>2022</u>	<u>2021</u>
Equipment and software	\$ 3,727,000	\$ 3,330,000
Furniture and fixtures	433,000	504,000
Leasehold improvements	<u>115,000</u>	<u>115,000</u>
	4,275,000	3,949,000
Less: accumulated depreciation and amortization	<u>(3,597,000)</u>	<u>(3,126,000)</u>
	<u>\$ 678,000</u>	<u>\$ 823,000</u>

During 2022, 2021, and 2020, the Company incurred depreciation expense in the amount of \$507,000, \$463,000, and \$390,000, respectively.

ANNEX BRANDS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Years Ended September 30, 2022, 2021, and 2020

NOTE 5. NOTE PAYABLE

In April 2020, the Company received a loan from a financial institution in the principal amount of \$592,000 pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The PPP loan had a two-year term and bore interest at a rate of 1.0% per annum. Proceeds from the PPP loan were available to the Company to fund designated expenses, including certain payroll costs, group health care benefits and other permitted expenses, in accordance with the PPP.

Under the terms of the PPP, subject to specific limitations, up to the entire amount of principal and accrued interest may be forgiven to the extent the PPP loan proceeds are used for qualifying expenses as described above and in the CARES Act. In April 2021, the Company received notice that the PPP loan, included accrued interest of \$5,000, was forgiven by the U.S. Small Business Administration. Accordingly, the Company has recorded \$597,000 to other income in the accompanying 2021 consolidated statement of income.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company leases a facility located in San Diego, California, under a noncancelable operating lease which extends through June 2024. Total rent expense under this agreement for the years ended September 30, 2022, 2021, and 2020 was \$204,000, \$199,000, and \$193,000, respectively.

The Company also leases a facility located in Centennial, Colorado which was extended on May 31, 2021 through May 31, 2024. Total rent expense under this agreement for the years ended September 30, 2022, 2021, and 2020 was \$73,000, \$74,000, and \$72,000, respectively.

The Company had a lease at a facility located in Key Largo, Florida. In October 2016, a lease extension was signed extending the lease through June 30, 2022. The lease was terminated when the store was sold in December 2021. Total rent expense for the Key Largo lease for the years ended September 30, 2022, 2021, and 2020 totaled \$11,000, \$45,000, and \$44,000, respectively.

Future minimum payments under operating leases are as follows:

For the years ending September 30,

2023	\$ 317,000
2024	<u>233,000</u>
	<u>\$ 550,000</u>

Legal

From time-to-time the Company is involved in various legal proceedings and claims arising in the normal course of business. Management believes there are no matters which will have a materially adverse effect on the consolidated financial condition or results of operations of the Company.

ANNEX BRANDS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Years Ended September 30, 2022, 2021, and 2020

NOTE 7. STOCK OPTION PLAN

The Company has an incentive stock option plan (the "Plan") for executives and key employees. As of September 30, 2022, there were 20,000 shares reserved for the Plan. The options to purchase the Company's common stock generally vest over five years from the date of grant and expire at the earlier of five years after the date the options become vested or upon the employee's termination.

The Company uses the calculated value method in determining its share-based compensation expense in connection with the Black-Scholes pricing model. There were no options granted during the fiscal years ended September 30, 2022, 2021, or 2020. The Company recognized \$0, \$24,000, and \$24,000 in share-based compensation expense for the years ended September 30, 2022, 2021, and 2020, respectively. As of September 30, 2022, total compensation cost related to nonvested options not yet recognized is \$0.

The following table summarizes activity under the Plan:

	No. of Options	Price Range Per Share	Weighted Average Exercise Price
Outstanding at September 30, 2019	2,475	\$ 83.00 - 174.00	\$ 162.01
Expired	(70)	83.00 - 108.00	89.14
Exercised	<u>(355)</u>	174.00	174.00
Outstanding at September 30, 2020	2,050	83.00 - 174.00	162.42
Expired	(70)	83.00 - 108.00	89.14
Exercised	<u>(1,305)</u>	83.00 - 174.00	167.18
Outstanding at September 30, 2021	675	83.00 - 174.00	160.81
Exercised	<u>(555)</u>	83.00 - 174.00	157.96
Outstanding at September 30, 2022	<u>120</u>	\$ 174.00	\$ 174.00

As of September 30, 2022, the weighted average life of outstanding options was 1.85 years, and there were 120 exercisable options with a weighted average exercise price of \$174.

ANNEX BRANDS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Years Ended September 30, 2022, 2021, and 2020

NOTE 7. STOCK OPTION PLAN (Continued)

The following presents certain activity with respect to nonvested options during the year ended September 30, 2022:

	<u>Number of Options</u>	<u>Weighted Average Grant Date Fair Value</u>
Nonvested options outstanding, September 30, 2021	385	\$ 174.00
Vested	<u>(385)</u>	174.00
Nonvested options outstanding, September 30, 2022	<u>-</u>	\$ -

In addition, the following table presents the total intrinsic value of options exercised and the total fair value of options vested during each of the years ended September 30, 2022, 2021, and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Intrinsic value of options exercised during the year	<u>\$ 282,000</u>	<u>\$ 452,000</u>	<u>\$ 82,000</u>
Fair value of options vested during the year	<u>\$ 19,000</u>	<u>\$ 22,000</u>	<u>\$ 20,000</u>

NOTE 8. EMPLOYEE BENEFIT PLAN

The Company sponsors a safe harbor 401(k) employee savings plan (the "401(k) Plan"), which covers substantially all of the Company's employees. Employees may contribute up to 75% of their compensation to the 401(k) Plan, subject to limits stated in the Internal Revenue Code. The Plan provides for automatic enrollment, automatic contribution of employee deferral and automatic escalation of such employee deferral. The Plan requires the Company to make matching contributions to the Plan. For the calendar years ended December 31, 2022, 2021, and 2020, the Company's matching contributions were 100% of the employee deferrals for the first 1% of compensation and 70% of employee deferrals thereafter, with matching contributions provided for up to 6% of compensation.

Matching contributions for the years ended September 30, 2022, 2021, and 2020 totaled \$133,000, \$139,000, and \$137,000, respectively. There were discretionary profit sharing contributions in the amounts of \$0, \$150,000, and \$0 made to the 401(k) Plan for the years ended September 30, 2022, 2021, and 2020, respectively.

NOTICE

THE FOLLOWING FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS, HER OR THEIR OPINION WITH REGARD TO THEIR CONTENT OR FORM.

ANNEX BRANDS, INC. AND SUBSIDIARY

Consolidated Balance Sheet

As of December 31, 2022

ASSETS

Current assets:

Cash	\$ 13,985,172
Accounts Receivable, net of allowance for doubtful accounts of \$952,090	843,936
Inventory	-
Prepaid expenses and other current assets	535,436

Total Current Assets 15,364,544

FIXED ASSETS:

Property and equipment, net	650,032
Deposits and other noncurrent assets	1,255,780
Other intangible assets, net	385,901
Goodwill, net	-

Total assets \$ 17,656,257

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Accounts payable and accrued expenses	\$ 3,145,736
Deferred franchise revenue	359,530

Total current liabilities 3,505,266

Long term notes payable	-
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Total liabilities 3,505,266

Shareholders' equity:

Common stock, no par value, 1,000,000 shares authorized, 60,050 shares issued and outstanding as of September 30, 2022	3,731,000
Retained earnings	10,419,991

Total shareholders' equity 14,150,991

Total liabilities and shareholders' equity \$ 17,656,257

ANNEX BRANDS, INC. AND SUBSIDIARY

Consolidated Statement of Income For the Three Months Ended December 31, 2022

REVENUE:

Continuing franchise fees	4,202,126
Freight	950,504
Insurance, customer referrals and other	741,016
Merchandise and equipment sales	202,946
Unit franchises sold	93,860

Total revenue	6,190,453
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COST OF REVENUE:

Cost of freight	900,878
Cost of merchandise and equipment sold and direct franchise costs	182,300
Cost of insurance premiums, claims, customer referrals and other	527,559

Total cost of revenue	1,610,736
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Gross profit	4,579,717
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Selling, general and administrative expenses	2,529,375
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Income from operations	2,050,342
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Other income (expense):

Interest income (expense), net	10,494
Other income (expense), net	3,185

Other income (expense), net	13,679
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Net income	\$ 2,064,021
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EXHIBIT G

EMPLOYEE/INDEPENDENT CONTRACTOR CONFIDENTIALITY AND NON- COMPETITION AGREEMENT

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EMPLOYEE/INDEPENDENT CONTRACTOR CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

(Note: To be signed by each employee or independent contractor who is not an owner of the Franchise.)

This CONFIDENTIALITY AND NON-COMPETITION AGREEMENT ("Agreement") is entered into by _____ ("we," "us" or "our"), a franchisee of **Annex Brands, Inc.** ("Franchisor"), and _____ ("you," "your" or "yourself").

WHEREAS, we desire to employ or engage you, and you desire to be employed or engaged by us, in connection with the operation of our franchised business.

NOW, THEREFORE, in consideration of the recitals above and the terms below, you and we agree:

1. Acknowledgement That You Are Our Employee or Independent Contractor, and That You Are Not an Employee or Independent Contractor of Franchisor. You acknowledge that you are our employee or independent contractor, and that you are not an employee or independent contractor of Franchisor, even though you will be selling products and services identified by Franchisor's brand name and/or logo, may be receiving payroll checks or other communications that contain Franchisor's brand name and/or logo, may have applied for employment or engagement by us through Franchisor's website, or may communicate with or receive non-mandatory feedback, coaching or recommendations from representatives of Franchisor in emails or other electronic or written communications, or during telephone calls, meetings or inspections.

2. Covenants Not to Disclose; Covenants Not to Compete. You agree that certain methods of doing business and other elements comprising the System are distinctive and have been developed by Franchisor and us at great effort, skill, time and expense; that you will have regular and continuing access to valuable trade secrets, confidential information and valuable training regarding the System; and that you recognize your obligation to promote and develop our franchised business. You accordingly agree as follows:

(a) Except as required in duties performed for us, you will never, either during or after the term or engagement or employment, either directly or indirectly, use, or disseminate or disclose to any person or entity, any trade secrets or confidential information, including but not limited to customer names, other customer information and business methods, of Franchisor or us, and will always seek to preserve the confidentiality of those trade secrets and confidential information.

(b) During your engagement or employment, you will not, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, divert or attempt to divert any business or customer of ours to any competitor or other person by direct or indirect inducement or otherwise, but this Section will not prevent you from referring customers in good faith to other businesses, including but not limited to competitors' businesses, that may be able to provide those customers with products or services not available from our business.

(c) During your engagement or employment, you will not, without the prior written consent of us and Franchisor, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any other person or entity, own, maintain, engage in, have any interest in or perform any service for any business other than us that, offers or that franchises or licenses others to offer, products or services that are the same as or substantially similar to products and services offered by us or Franchisor.

(d) For 1 year after termination of your engagement or employment, regardless of the cause of termination, you will not, without the written consent of us and Franchisor, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any other person or entity, own, maintain, engage in, have any interest in or perform any service for any business that offers, or that franchises or licenses others to offer, products or services that are the same as or substantially similar to the products or services that were or could have been offered by us or Franchisor when you were engaged or employed, and that operates: (1) within our Territory, or (2) within the Territory of any other franchisee's Franchised Business operating at the time of termination.

3. Reduction in Scope of Covenant. You agree that we or Franchisor may, in our business judgment, reduce (but never increase) the scope of any term or subpart of any term in this Agreement without your consent, effective immediately on written notice from us or Franchisor, and you agree that you will promptly comply with any term or subpart so modified, that will be fully enforceable notwithstanding any other term or subpart of this Agreement.

4. Covenants As Independent and As Conditions Precedent to Employment or Engagement. Your covenants in Section 1 are independent of any other terms of this Agreement, and are conditions precedent to engagement or employment. Any claim or cause of action against us or Franchisor, whether predicated on this Agreement or otherwise, will not be a defense to the enforcement by us or Franchisor of the covenants in Section 1.

5. Covenants Concerning Company Property. You agree that all our records, including but not limited to records of our customers and all other records relating in any manner to our franchised business, whether prepared by you or otherwise coming into your possession, are the exclusive property of us or Franchisor, in accordance with the terms of our franchise agreement with Franchisor. Additionally, you agree that all files, records, documents, drawings, specifications and similar items for our franchised business, including but not limited to all copies of those items, whether prepared by you or otherwise coming into your possession, will not be removed by you from our office without our prior written consent. Any records not at our site will immediately be returned to us by you on termination of your engagement or employment, regardless of the cause of termination.

6. Severability. If a part of a covenant in this Agreement is held invalid, unreasonable or unenforceable by a court or agency, you agree to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in this Agreement. If an entire covenant in this Agreement is held invalid, unreasonable or unenforceable by a court or agency, the remaining covenants in this Agreement will continue in effect.

7. Injunctive Relief. We or Franchisor, in addition to other legal and equitable rights, will be entitled to seek to obtain temporary, preliminary or permanent injunctive relief, on posting a \$1,000 bond, restraining your actual or threatened violation of any covenant in this Agreement.

8. Attorneys' Fees. In a legal action for damages, injunctive relief, the return of property or any other legal or equitable remedy, you agree to pay our or Franchisor's reasonable attorneys' fees, court costs and reasonable out-of-pocket expenses for the action.

9. Governing Law. This Agreement will be governed by the laws of the state in which our principal business office is located on the date of signing of this Agreement.

10. Binding Effect. This Agreement will be binding on the parties, and their heirs, executors, administrators, successors and assigns.

11. Modification. Except as provided in Section 2, this Agreement may not be modified except in written agreement of at least equal formality signed by the parties.

The undersigned agree to the terms of this Agreement.

Signature of Employee/Independent Contractor

Printed Name: _____

Address: _____

Telephone Number: _____

Date: _____

Signature of Franchisee

Printed Name: _____

Title (if any): _____

Date: _____

Signature of Franchisee

Printed Name: _____

Title (if any): _____

Date: _____

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EXHIBIT H

CURRENT FORM OF GENERAL RELEASE

**CURRENT FORM OF GENERAL RELEASE
(SUBJECT TO CHANGE)**

This **GENERAL RELEASE** ("Release") is made and executed by {NAME}, individually ("you"), as of {DATE} ("Effective Date").

WHEREAS, **ANNEX BRANDS, INC.**, a California corporation ("us") and you entered into a franchise agreement with an effective date of {DATE}, and {DESCRIBE FACTS}.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is acknowledged, you agree as follows:

Release-General Provisions. You, for yourself and on behalf of your heirs, executors, administrators, personal representatives, employees, agents, successors, and assigns, in their corporate and individual capacities (collectively "Releasers"), jointly and severally, hereby release and forever discharge each of the Franchisor-Related Persons/Entities as defined below (collectively "Franchisor-Related Persons/Entities") of and from any and all causes of action, in law or in equity, suits, debts, liens, defaults under contracts, leases, agreements or promises, liabilities, claims, demands, damages, losses, costs or expenses, of any nature whatsoever, howsoever arising, known or unknown, fixed or contingent, past or present, that Releasers ever had, now have or hereafter may have against any or all of the Franchisor-Related Persons/Entities by reason of any matter, cause or thing whatsoever from the beginning of time through the Effective Date hereof (the "Claims"), it being the mutual intention of the parties that this Release be unqualifiedly general in scope and effect and that any Claims against the Franchisor-Related Persons/Entities are hereby forever canceled and forgiven.

YOU ACKNOWLEDGE THAT YOU ARE FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

YOU, BEING AWARE OF THIS CODE SECTION, HEREBY EXPRESSLY WAIVE ALL OF YOUR RIGHTS THEREUNDER AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT OF ANY APPLICABLE JURISDICTION, INCLUDING, WITHOUT LIMITATION, CALIFORNIA AND/OR _____ {THE JURISDICTIONS OF FRANCHISEE'S RESIDENCE AND THE LOCATION OF THE FRANCHISE(S)}.

You expressly assume the risk of any mistake of fact or fact of which you may be unaware or that the true facts may be other than any facts now known or believed to exist by you, and it is your intention to forever settle, adjust and compromise any and all present and/or future disputes with respect to all matters from the beginning of time to the date of this document finally and forever and without regard to who may or may not have been correct in their understanding of the facts, law or otherwise. All releases given by you are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. You represent and warrant that you have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as you, in your independent judgment, believe necessary or appropriate. You have not relied on any statement, promise, representation or otherwise, whether of fact, law or otherwise, or lack of disclosure of any fact, law or otherwise, by the Franchisor-Related Persons/Entities or anyone else, not expressly set forth herein, in executing this Release.

EXHIBIT I

STATE EFFECTIVE DATES

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	(Exempt) January 1, 2023
Hawaii	[]
Illinois	[]
Indiana	(Exempt) []
Maryland	[]
Michigan	January 19, 2023
Minnesota	[]
New York	(Exempt) []
North Dakota	(Exempt) []
Rhode Island	[]
South Dakota	[]
Virginia	[]
Washington	[]
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.

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EXHIBIT J

RECEIPTS

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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 Annex Brands, Inc. (“we,” “us” or “our”) offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this disclosure document at the earlier of the 1st personal meeting, or 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

Michigan requires that we give you this disclosure document 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise: _____, 7580 Metropolitan Drive, Suite 200, San Diego, California 92108, (800) 456-1525; and _____.

Issuance Date: March 6, 2023

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

I have received a disclosure document dated March 6, 2023, that includes the following Exhibits:

- A. Agencies/Agents for Service of Process
- B. Commercial Logistics Center Franchise Agreement and Attachments
- C. Commercial Logistics Center Franchisees and Company-Owned Commercial Logistics Centers
- D. Former Commercial Logistics Center Franchisees
- E. Franchisee Organizations
- F. Financial Statements
- G. Employee/Independent Contractor Confidentiality and Non-Competition Agreement
- H. Current Form of General Release
- I. State Effective Dates
- J. Receipts

Date

Prospective Franchisee

Date

Prospective Franchisee

KEEP THIS COPY FOR YOUR RECORDS. This disclosure document is also available in paper format by request to Mary Ann Canup at mcanup@annexbrands.com

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RECEIPT
(OUR 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 Annex Brands, Inc. (“we,” “us” or “our”) offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

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- H. Current Form of General Release
- I. State Effective Dates
- J. Receipts

Date

Prospective Franchisee

Date

Prospective Franchisee

PLEASE SIGN THIS COPY OF THE RECEIPT, DATE YOUR SIGNATURE, AND RETURN IT TO US ADDRESSED AS FOLLOWS: Mary Ann Canup, 7580 Metropolitan Drive, Suite 200, San Diego, California 92108. This disclosure document is also available in paper format by request to Mary Ann Canup at mcanup@annexbrands.com

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