

## FRANCHISE DISCLOSURE DOCUMENT



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A Louisiana Limited Liability Company  
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Pop-A-Lock® franchisees provide commercial, residential, automotive, and security locksmith services, door unlocking, related vehicle locksmith and security services, and emergency roadside assistance. Additionally, Pop-A-Lock® franchisees will provide other related services, if and as prescribed by the franchisor. SystemForward America, LLC does not offer any company owned businesses.

The total investment necessary to begin operation of a Pop-A-Lock franchise is \$137,777-\$170,827. This includes \$43,000 that must be paid to the franchisor or affiliate(s).

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

**You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different forms, contact SystemForward America, LLC's Franchise Department at 1018 Harding Street, Suite 101, Lafayette, Louisiana 70503 or (337) 233-6211.**

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your franchise agreement. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, such as 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](#)," can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: July 26, 2022

## How to Use This Franchise Disclosure Document

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

| QUESTION                                                                                 | WHERE TO FIND INFORMATION                                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How much can I earn?</b>                                                              | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit H and I. |
| <b>How much will I need to invest?</b>                                                   | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.                                                                        |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit G includes financial statements. Review these statements carefully.                                                                                                                                                                          |
| <b>Is the franchise system stable, growing, or shrinking?</b>                            | Item 20 summarizes the recent history of the number of company-owned and franchised outlets.                                                                                                                                                                    |
| <b>Will my business be the only Pop-A-Lock business in my area?</b>                      | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.                                                                                                                   |
| <b>Does the franchisor have a troubled legal history?</b>                                | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.                                                                                                                            |
| <b>What's it like to be Pop-A-Lock franchisee?</b>                                       | Item 20 or Exhibit H and I lists current and former franchisees. You can contact them to ask about their experiences.                                                                                                                                           |
| <b>What else should I know?</b>                                                          | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.                                                         |

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

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

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

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

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

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

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

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

## Some States Require Registration

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

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

### Special Risks to Consider About *This* Franchise

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

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

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

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### **Exhibits**

|           |                                                                       |
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| Exhibit A | Federal and State Franchise Administrators and Regulatory Authorities |
| Exhibit B | List of Registered Agents                                             |
| Exhibit C | Franchise Agreement                                                   |
| Exhibit D | Form of General Release                                               |
| Exhibit E | State-specific Addenda and Agreement Amendments                       |
| Exhibit F | Licensed Marks                                                        |
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**ITEM 1**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

**The Franchisor**

The Franchisor is SystemForward America, LLC. For ease of reference, SystemForward America, LLC will be referred to as “we,” “us,” or “our” in this Disclosure Document. We will refer to the person or entity who buys the Franchise as “you” or “your” throughout this Disclosure Document. If you are a corporation, partnership, or other entity, certain provisions of the Franchise Agreement (a copy of which is attached to this Disclosure Document as **Exhibit C**) also will apply to your owners. This Disclosure Document will indicate when your owners are covered by a particular provision.

We are a Louisiana limited liability company, incorporated October 1, 2003. Our principal business address is 1018 Harding Street, Suite 101 Lafayette, Louisiana 70503. We grant franchises that offer the Pop-A-Lock commercial, residential and automotive locksmith services, car door unlocking services, mobile vehicle services, vehicle locksmith services and, emergency roadside assistance (“**Pop-A-Lock Franchise**”). We also grant franchises that offer commercial and residential insulation, heating, ventilation and air conditioning services (“**TemperaturePro Franchise**”) and franchises that offer commercial and residential plumbing services and repairs (“**PlumbingPro Franchise**”). We are currently engaged in no business other than granting Pop-A-Lock, TemperaturePro, and PlumbingPro Franchises, and we do not offer any company-owned businesses.

Our agents for service of process are disclosed in **Exhibit B** attached to this Disclosure Document.

**Parents, Predecessors, and Affiliates**

We have no parent company. Our predecessor is The LSR Group, with whom we merged on October 1, 2003. The LSR Group was incorporated August 2, 2000. The LSR Group’s principal address was formerly 15425 N.W. Freeway, Suite 300, Houston, Texas 77090. The surviving entity of the merger is SystemForward America, LLC.

In addition to The LSR Group, our predecessor is Sig 5 Franchise Development Corporation, referred to as “**Sig 5 D**” throughout this Disclosure Document. Sig 5 D was incorporated on February 2, 1995 and is a Louisiana corporation having its principal business address at 152 Banks Avenue, Lafayette, Louisiana 70506. On March 28, 1995, Sig 5 D received an exclusive license to grant franchises for the operation of Pop-A-Lock Franchises from Sig 5 Corporation. On August 2, 2000, Sig 5 D sold the Pop-A-Lock Franchise System, including all existing Franchise Agreements and all rights to grant franchises for the operation of Pop-A-Lock Franchises, to The LSR Group. On August 2, 2000, Sig 5 Corporation conveyed to The LSR Group, and, effective October 2003, The LSR Group conveyed to us, all right, title and interest in and to the registered trademarks, copyrights, proprietary information and other intellectual property as seen in **Exhibit F** attached to this Disclosure Document. Sig 5 D and The LSR Group have not engaged in or offered franchises in any other line of business.

On June 6, 1997, the shareholders of Sig 5 D established Pop-A-Lock Advertising Fund, Inc., an affiliate, to administer the Pop-A-Lock Advertising Fund (referred to as the “**Ad Fund**” throughout this Disclosure Document. Pop-A-Lock Advertising Fund, Inc. is a corporation organized under the laws of the State of Louisiana, having its principal business address at 152 Banks Avenue, Lafayette, Louisiana 70506. This corporation is now vested with the ownership of the Ad Fund, which consists of the Advertising and Marketing Fee contributions paid by each franchisee. See **Item 11** of this Disclosure Document, and Article 8.04 of the Franchise Agreement. The Ad Fund is managed and administered by us.

### **Prior Experience**

Sig 5 Corporation, the predecessor of Sig 5 D, opened its first Pop-A-Lock Franchise in Lafayette, Louisiana on January 1, 1992. Sig 5 Corporation offered franchises for the operation of Pop-A-Lock Franchises from May 1994 to March 1995. On March 28, 1995, Sig 5 Corporation granted to Sig 5 D an exclusive license to grant franchises for the operation of Pop-A-Lock Franchises. Sig 5 D offered franchises from March 1995 to July 2000. The LSR Group began offering Pop-A-Lock A Car Door Unlocking Service® franchises in August 2000. Currently, we only offer and grant Pop-A-Lock, TemperaturePro, and PlumbingPro franchises. Neither the Sig 5 Corporation, Sig 5 D, The LSR Group, nor us have engaged in or offered franchises in any other line of business.

### **The Franchise Offered**

The Pop-A-Lock® franchise currently provides up to four (4) authorized service categories: (i) commercial and residential locksmith and security services, (ii) vehicle locksmith services (iii) car door unlocking services, and (iv) emergency roadside assistance and mobile vehicle services. Authorized Services are referenced in Article 1.04 of the Franchise Agreement and are collectively referred to in this Disclosure Document as the “**Franchised Business.**” The Franchised Business shall be open for the conduct of business, as needed, twenty-four hours a day, 365 days a year and you shall at all times staff the Franchised Business with the number of employees consistent with this requirement and operate the Franchised Business diligently so as to maximize the revenues and profits.

You must participate in our PAL Saves Kids Program, and National Accounts Programs. You must provide car door unlocking free of charge when a child is locked inside the vehicle or if human life is in danger. The PAL Saves Kids Program is offered by Pop-A-Lock Franchises as a free public service to the general public, communities, emergency service providers and roadside assistance companies.

We have developed a propriety plan and system known as the “**Pop-A-Lock Franchise System**” relating to the operation of franchise locations which offer to the public high tech and traditional locksmith services, car door unlocking service, and emergency roadside service and other mobile vehicle services specified by us. The Pop-A-Lock Franchise System consists of (i) a franchise or license to operate a Pop-A-Lock Franchise utilizing the registered trademarks (a) “**Pop-A-Lock®**”, (b) “**Pop-A-Lock, A Car Door Unlocking Service®**” and design depicting the frontal view of a car with doors open, (c) “**Pop-A-Lock, Trusted Locksmith**” with the service mark depicting the frontal view of a car with doors open, inside of a house, placed on top of a key (c) the service mark

depicting the frontal view of a car with doors open, (d) **The Security Professionals, Site Security Solutions**, and other marks which may be added in the future and (ii) our combination of proprietary methods, tools and techniques for the operation and management of a Pop-A-Lock Franchise. The services provided by a Pop-A-Lock Franchise are used by businesses and the general public.

Partial list of Locksmith and related Security services which employees may be trained to provide:

### **LOCKSMITH SERVICES**

As the nation's largest locksmith provider, we can offer full service for all locksmith and security needs. We will have well trained employees, ready to secure properties, tenants and other valuable assets. We are located throughout the country and can provide immediate response to any Locksmithing needs. We offer the following traditional locksmith services with prompt response to customer's requests.

- Core replacement, and core and door hardware services
- Key origination by code
- Key duplication
- High security locks serviced and repaired
- Lock servicing/repairs
- Lock outs
- Gate Locking Systems
- Lock installation
- Security surveys
- Door closers serviced and installed
- ADA hardware service and installation
- Pilfer alarms installed and serviced
- Exit hardware serviced and installed
- Electronic access hardware serviced and installed
- Integration with commercial alarm systems
- Rekeying/master keying
- CCTV service and installation
- Safes opened
- Safe sales
- Cabinet locks serviced and installed
- Auxiliary door hardware installed
- Fleet vehicle lock servicing
- Customized security solutions for commercial buildings or homes

### **ELECTRONIC ACCESS SYSTEMS**

Electronic access systems are the highest level of control for buildings; these systems allow you to make changes to access immediately and routinely. Standard master key and regular key systems do not allow you to control who or when access is allowed to your building. Additionally, these systems give you the advantage of having an Audit Trail that tells you exactly who and when your building was accessed.

- Electronically Enhanced security for buildings, including biometrics



- Control access to your building or sensitive areas based on the individual and by certain dates and times if you choose

Pop-A-Lock® offers a broad range of systems from simple “Stand-Alone” systems, that do not require any additional equipment or computers for programming, to state of the art networked software-controlled systems without having to purchase additional licenses or software. We install systems that can start with a single door and may be expanded to as many as you desire by adding additional readers and panels. We have the ability to customize your system to meet your exact needs.

### **CCTV SYSTEMS**

Protect employees, customers, and assets with state-of-the-art electronic surveillance equipment. We offer cutting edge technology with DVR’s and high-resolution cameras. Covert cameras are available for use in specific applications. Low light or no light cameras to fit specific needs. Most digital systems can be set up for remote monitoring through the internet.

### **PHONE ENTRY SYSTEMS**

Apartment buildings, office buildings, and commercial properties need to have security and yet allow access to the proper individuals who visit the property. The use of phone entry allows visitors to directly contact the person they are at the property to see and that person can electronically unlock the door to allow entry. Security and access in one simple package.

Phone entry systems can easily be integrated into an electronic access system for card entry or the keypad on the unit can be programmed to allow access by code.

### **HIGH SECURITY DOOR HARDWARE**

Combining electronic access and CCTV with high security door hardware will provide facilities with the highest level of security. We offer Medeco, Schlage Primus, ASSA and Multi-Lock high security door hardware and key cylinders. These locks are designed to be pick resistant, drill resistant, and they also provide excellent key control. Keys are duplicated for only authorized persons and cannot be duplicated at hardware stores. Identification is required and with proprietary key systems, other locksmiths will not make key duplicates. In addition, these high security cylinders are easily integrated with your existing door hardware and current key system. Master keying is also available. As are POP-A-LOCK®, OR OTHER PRIVATE LABEL MASTER KEY SYSTEMS.

### **DOOR/HANDICAP OPERATORS**

Allow easy entry into facilities with the option of Handicap Access Controls installed on your high traffic entries. Door operators are powered door openers/closers that allow entry with the push of a “handicap” button from inside or outside the door. Fully adjustable to provide adequate time for entry or exit with the need to push or pull the door. These units can easily be integrated into an Electronic Access system or timer control to ensure security as well as easy access.

\*In some areas, low voltage (electric) licenses may be required.

### **Competition**

You will compete with other businesses which provide car door unlocking, roadside assistance, mobile vehicle services and locksmith services, including primarily locksmiths. In addition, you will compete with other businesses which provide roadside and mobile vehicle services, including wrecker services. In some geographic areas, you will have to compete with local law enforcement agencies, which sometimes unlock car doors and/or provide emergency roadside assistance as a public service without charge. Certain customer and market segments may have competitors (i.e. car dealerships for vehicle credentials).

### **Industry Specific Regulations**

Some states have enacted laws related to the regulation of locksmiths, including laws requiring that locksmiths either register with a state agency or obtain a license to perform locksmith services. If you operate your franchise in one of these states, you must be prepared to comply with the applicable locksmith regulation. Some of those states that have specific locksmith license requirements are California, Illinois, Louisiana, Nevada, New Jersey, Tennessee, North Carolina, and Texas. The City of New York also has specific locksmith license requirements, and there may be others with similar or pending requirements, such as Ohio. We recommend that you consult with your attorney or advisor regarding these requirements. Other than these laws there are no regulations specific to the operation of a Pop-A-Lock Franchise although you must comply with all local, state and federal laws in the operation of your Pop-A-Lock Franchise. There may be other state or local laws applicable to your business and we urge you to make additional inquiries about these laws. These regulatory requirements have created a barrier to entry which favors the Pop-A-Lock® Franchise System.

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**ITEM 2**  
**BUSINESS EXPERIENCE**

**Vice President of Research and Development** **Steve Gremillion**

Mr. Gremillion serves as a member of the Board of Directors, having been appointed to that position in 2003. In addition, he serves as the Vice-President of Research and Development of System Forward America, Inc., having been appointed to that position May 1, 2003.

**Vice President of Business Development** **Carl Vincent**

Mr. Vincent serves as the Vice-President of Business Development of SystemForward America, LLC, having been appointed to that position May 1, 2003.

**Chief Executive Officer** **Don Marks**

Mr. Marks currently serves as the Chief Executive Officer with SystemForward America, LLC, having been appointed to that position on May 30, 2003.

**Chairman of the Board** **Leslie Carter**

Mr. Carter joined SystemForward America, LLC, as its Chairman of the Board in March 2006.

**Director of Franchise Development** **Michael Kleimeyer**

Mr. Kleimeyer joined SystemForward America, LLC as the Director of Franchise Development on March 1, 2004.

**Director of Operations** **Robert Reynolds**

Mr. Reynolds began his employment with SystemForward America, LLC on September 8, 2003, as the Director of Operations.

**Franchise Support & Office Administration** **Elizabeth Fox**

Mrs. Fox was the Assistant Manager of Ashero Spa, in Lafayette, LA, from February of 2005 until August of 2012. Mrs. Fox began her career with SystemForward America, LLC on September 7, 2012.

**Financial Manager** **Linda Payne**

Mrs. Payne began her employment as Financial Manager with SystemForward America, LLC on February 16, 2004.

**Director of Marketing** **Jill Villejoin**

Jill Villejoin was the Life Enrichment Director from 2009-2016 at Southwind Senior Living. Mrs. Villejoin joined SystemForward in January 2017 as the Director of Marketing.

**ITEM 3**  
**LITIGATION**

**Pending Actions**

No litigation is required to be disclosed in this Item.

**Franchisor-Initiated Actions**

No franchisor-initiated action is required to be disclosed in this Item.

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**ITEM 4**  
**BANKRUPTCY**

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

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## **ITEM 5** **INITIAL FEES**

### **Initial Franchise Fee**

The initial franchise fee is \$15,500, and not refundable, for an exclusive territory population of 125,000. The franchise area population is determined by current statistical data as published and amended by the U. S. Census Bureau. The initial franchise fee is payable in one lump sum concurrent with the signing of your Franchise Agreement. The initial franchise fee is referenced in Article 1.02 of the Franchise Agreement.

### **Sale of Franchisor-Owned Businesses**

Occasionally, we may offer for sale as a franchise an existing Pop-A-Lock company-owned business. In that event, the purchase price will be determined by negotiation between us and the prospective franchise owner based upon the going concern value of such existing business. The purchase price will typically be paid on a mutually determined closing date.

Proceeds from the initial franchise fee are paid directly to us and are used by us to defray our costs of acquiring and supporting new franchise owners and to increase our general operating funds.

### **Sale of Franchisee-Owned Businesses**

If you purchase an existing Pop-A-Lock Franchisee owned business before operating a Franchised Business of which you are a majority owner, you must pay 12% of the purchase price to us.

Proceeds from the initial franchisee fee, or the 12% specified above, are paid directly to us and are used by us to defray our costs of acquiring and supporting new franchise owners and to increase our general operating funds.

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## **ITEM 6**

### **OTHER FEES**

| <b>Type of Fee</b>                           | <b>Amount</b>                                                      | <b>Due Date</b>                                   | <b>Remarks</b>                                          |
|----------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------|
| Royalty*                                     | 7 % of Total Gross Sales                                           | Payable monthly on the last day of the next month | See Note 1                                              |
| Advertising* and Marketing                   | 1% of Total Gross Sales                                            | Same as Royalty                                   | See Note 2                                              |
| Local Advertising**                          | \$15,000<br>First year                                             | First year of operation                           | See Note 3                                              |
| Online, Digital, and Directory Advertising** | Variable                                                           | Per Agreement with Directory Publisher            | See Note 4                                              |
| Training*                                    | \$800 per Technical Trainee and \$2,100 per Locksmith Trainee      | 1 Week Before the Beginning of Training           | See Note 5                                              |
| Transfer*                                    | \$11,500                                                           | Before Consummation of Transfer                   | See Note 6                                              |
| Audit*                                       | \$5,000-\$9,000                                                    | Upon Receipt of Billing                           | See Note 7                                              |
| Audit, con't.                                | 1% Per Annum or The Highest Rate Allowed by Law, whichever is Less | Upon Receipt of Billing                           | You Must Pay Interest on any Delinquent Sums Owed to Us |
| Locksmith License Fees***                    | Varies by State                                                    | Upon Filing of License Application                | See Note 8                                              |

#### **Notes:**

One Franchise, population 125,000

- \* These fees are uniformly imposed by and are payable to us. All fees are non-refundable.
- \*\* These fees are payable to the indicated service provider in accordance with the provider's requirements.
- \*\*\* These fees are payable to state agencies that administer locksmith license laws and regulations.

- (1) **Royalty Fee.** In addition to the initial franchise fee, you must pay to us during the term of the Franchise Agreement and any extension thereof, a continuing royalty equal to 7.0% of monthly Gross Sales. All royalty payments shall be accompanied by a written report (the **"Royalty Statement"**) stating Gross Sales for the payment period on a form prescribed by us. If the royalty payment is not received by us within 5 days after it is due, a service charge will be assessed equal to the lesser of 18.0% of the amount overdue, or the highest rate permitted by applicable law. Payments must be mailed via first class mail, postage prepaid and properly addressed to us. The royalty is uniform as to all persons currently acquiring a franchise and is not refundable. The royalty is referenced in Article 4.01 of the Franchise Agreement.

“**Gross Sales**” shall mean the aggregate gross amount of all revenues from whatever source, including, cash, credit, agreements to pay, or other consideration (whether or not payment is received at the time of the sale) derived by you from operation of the Franchised Business, or from the sale of any services or products associated with the use of the Licensed Marks, excluding sales or other tax receipts, the collection of which is required by law. The term “Gross Sales” is more fully defined in Article 4.04 of the Franchise Agreement.

- (2) Advertising Fee. You and all other franchisees must pay to us a continuing Advertising and Marketing fee (the “**Advertising Fee**”) equal to 1.0% of Gross Sales. In the event we own a franchise location, we shall contribute to the Advertising Fund with respect to the franchise location on the same basis. The continuing Advertising Fee payments will be payable at the same time and in the same manner as provided for the payment of continuing Royalty described. We shall maintain all advertising and marketing fees in the Advertising Fund. All Advertising Fund contributions shall be used exclusively for advertising, marketing, public relations and business development purposes for the collective benefit of all members of the Franchise System. We may expend a portion of the Advertising Fund contributions to reimburse our operating expenses reasonably allocable to the administration of the Advertising Fund, subject to a maximum of 20% of the Fund per year. The Advertising and Marketing Fee is referenced in Article 4.02 and the Advertising Fund is referenced in Article 8.04 of the Franchise Agreement. We shall furnish you with reports at least annually describing how Advertising Fund contributions have been spent.
- (3) Local Advertising. During the first 12 months of operation of your Franchised Business, you must spend \$15,000 on continuing local advertising usually beginning 6 months after opening. Not per franchised business. For four franchises you would spend between \$16,000 and \$50,000 on local advertising. The local advertising requirement is referenced in Article 8.01 of the Franchise Agreement.
- (4) Online, Digital, and Directory Advertising. You may, depending on costs and exposure, set up a free and/or purchase a display-type advertisement for publication in the online directory(ies), you will place a listing of your franchised business on Google and other specified online directories, as designated by us. The online directories in which the advertisement and listing are placed must include coverage of your Franchise Area. The cost of the advertisement will vary according to various factors including the size of the advertisement and the size and coverage area of the directory. The online directory advertising requirement is referenced in Article 8.03 of the Franchise Agreement.



(5) Training Fee.

*Technical Trainee:* You and all of your employees who have signed the non-disclosure and non-competition agreements prescribed by Article 10.04 of the Franchise Agreement shall be eligible to participate in our technical training program (the “**Pop-A-Lock Training Program**”). The Pop-A-Lock Training Program consists of a minimum of 5 days at 8 hours per day and includes instruction in (i) the techniques and methods established or adopted by us to unlock car doors, (ii) the proper use of opening tools prescribed for use by us, and (iii) procedures for performing emergency roadside assistance. Each of your employees who will perform car door unlocking services must successfully complete the Pop-A-Lock Training Program for the unlocking services they will perform in accordance with our standards. You must pay us a fee of \$800.00 for each trainee who attends the Pop-A-Lock Training Program. You must bear the travel, food, and lodging expenses associated with this technical training. In the event the training is conducted at your business location, or at a location other than our training facility, you shall reimburse us for all transportation, meals and lodging expenses incurred by us in connection with such training. The technical training is referenced in Article 3.02 of the Franchise Agreement.

*Locksmith Trainee:* In addition, you must either hire one or more individuals to be trained by the Franchisor or in some cases contract with individuals who have demonstrated skill in locksmith techniques. The cost for this category of locksmith training is \$2,100.00 per trainee. Locksmith training program length varies with (i) current level of experience of trainee, (ii) aptitude of trainee, and (iii) specific level of training targeted. The locksmith training program and equipment for locksmith service is referenced in section 3.04 of the Franchise Agreement.

(6) Transfer Fee. In the event you wish to transfer or assign the Franchise Agreement (which we must approve and which gives rise to a right of first refusal), you must pay to us a transfer fee in the amount of \$11,500 to cover our investigation, administrative, accounting, and related costs and expenses in connection with any such assignment. This fee must be received by us before the effective date of the sale or assignment. The transfer fee is referenced in Article 11.01 of the Franchise Agreement.

(7) Audit Fee. We have the right, without prior notice to you, to examine and audit your books of account, records, cash receipts, invoices and other data pertinent to the Franchised Business so that we can ascertain the Gross Sales of your franchise. If the audit shows that there is a deficiency in payment of any percentage royalty, the deficiency shall be immediately due and payable. The cost of the audit shall be paid by us unless the audit shows that you understated Gross Sales by more than 2.0%, in which case you shall pay all our costs of the audit. The exact cost of an audit is not possible to estimate with certainty and depends upon a variety of factors. You will be required to pay any such deficiency with interest at the rate of 18% or the highest rate permitted by applicable law, whichever is less, from the date of underpayment. The audit provisions are referenced in Article 9.03 of the Franchise Agreement.

- (8) Locksmith License Fees. Some states require locksmiths to obtain a license to perform locksmith services, including car door unlocking services. Some States may also require an additional license for providing security services.

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**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT** (Note 1)

| <b>Type of Expenditure</b>                            | <b>Amount or range involved<br/>(One Franchise, pop.<br/>125,000)</b> | <b>Method of Payment</b> | <b>When Due</b>                     | <b>To Whom Payment is Made</b>                 |
|-------------------------------------------------------|-----------------------------------------------------------------------|--------------------------|-------------------------------------|------------------------------------------------|
| Initial Franchise Fee<br>(Note 2)                     | \$43,000                                                              | Lump Sum                 | Upon Signing of Franchise Agreement | Us                                             |
| Pop-A-Lock Tool Kits<br>(Note 3)                      | \$562                                                                 | Lump Sum                 | Before Opening                      | Us                                             |
| Printed Materials<br>(Note 4)                         | \$1,500-\$2,640                                                       | Lump Sum                 | Before Opening                      | Us and Vendors                                 |
| CDU (Technical) Training<br>(Note 5)                  | \$1,600                                                               | Lump Sum                 | Before Opening                      | Us                                             |
| Travel and Living Expenses While Training<br>(Note 6) | \$3,520                                                               | As Incurred              | During Training                     | Providers of meals, lodging and transportation |
| Equipment - Communication<br>(Note 7)                 | \$600                                                                 | Lump Sum                 | Before Opening                      | Vendors                                        |
| Equipment - Roadside Service<br>(Note 8)              | \$600                                                                 | Lump Sum                 | Before Opening                      | Vendors                                        |
| Locksmith Service Training<br>(Note 9)                | \$2,100                                                               | Lump Sum                 | As Incurred                         | Us or Vendors                                  |
| Locksmith Service Equipment (See Note 9)              | \$16,995 - \$34,000                                                   | Lump Sum                 | As Incurred                         | Vendors                                        |
| Equipment - Office (Computer System)<br>(Note 10)     | \$3,000                                                               | Lump Sum                 | Before Opening                      | Us or Vendors                                  |
| Online and Digital Display Advertisement<br>(Note 11) | \$3900-\$9600                                                         | As Incurred              | Monthly                             | Directory Publisher                            |
| Initial Advertising (12 months)<br>(Note 12)          | \$25,000                                                              | As Incurred              | As Incurred                         | Media Outlets                                  |
| Miscellaneous Opening Costs<br>(Note 13)              | \$800 - \$1,200                                                       | As Incurred              | As Incurred                         | Vendors, insurers, utilities, etc.             |

| Type of Expenditure                                 | Amount or range involved<br>(One Franchise, pop.<br>125,000)                                                                                                                                                                                                                                                                       | Method of Payment | When Due                    | To Whom Payment is Made |
|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-----------------------------|-------------------------|
| Additional Funds –<br>[initial period]<br>(Note 14) | \$ 33,000 - \$41,000                                                                                                                                                                                                                                                                                                               | As Incurred       | As Needed for Opportunities | Vendors and Employees   |
| Vehicle Identification<br>(Note 15)                 | \$1,600-\$2,400                                                                                                                                                                                                                                                                                                                    | As Incurred       | As Incurred                 | Vendors                 |
| <b>TOTAL</b>                                        | <b>\$137,777-\$170,827</b><br><b>*If you are granted multiple franchises, you will start by opening one franchise and the above investments will apply. (After opening and operating multiple franchises over time, a substantially smaller amount of working capital per additional operating franchise will be appropriate.)</b> |                   |                             |                         |

# 1 **Notes:**

- (1) This table describes the initial investment by expense category, which you should expect to expend in connection with the operation of a franchise before commencement of the business and for at least a 6-month period thereafter. With the exception of the initial franchise fee, all the expenses listed are **ESTIMATES ONLY**. These expenses are expressed as a range from a projected low amount to a projected high amount. The projected low amount assumes that you will employ 2 Pop-A-Lock Technicians in a franchise area having a population of about 125,000. **If you employ more Pop-A-Lock Technicians, your initial investment and operating expenses will exceed the projected maximum amount. The number of technicians required, and actual costs may vary for many reasons, including, for example, the geographic size of your franchise area, your call volume or logistical consideration. All fees are non-refundable.**

- (2) Initial Franchise Fee. The initial franchise fee is as follows:

- Up to 100,000 in population=\$23,000
- 100,000-250,000 in population=\$43,000
- 250,000-500,000 in population=\$63,000

The initial franchisee fee is not refundable for any reason.

- (3) Tools. Each Pop-A-Lock Technician you employ must be equipped with 1 Pop-A-Lock Tool Kit and an Unlocking Manual. You must lease the Pop-A-Lock Tool Kit from us at a cost of \$281.00 for each technician employed. This amount may increase if you employ more than one technician for your franchised business. The term of the lease for each Pop-A-Lock Tool Kit will be the same as the Franchise Agreement and all renewals thereof.

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1 The Franchisor does not finance part of the initial investment, nor does any affiliate.

Upon termination of the Franchise Agreement, you must return the complete Tool Kit, usual wear and tear excepted, to us. See Article 6.04 of the Franchise Agreement. Your cost of tools will vary according to how many Pop-A-Lock Technicians you intend to employ. The number of Pop-A-Lock Technicians you must employ will depend upon several factors unique to your franchise and the area within which it operates and, therefore, impossible to estimate with accuracy. If you employ more Pop-A-Lock Technicians, your total Tool Kit cost will increase by \$281.00 per technician.

- (4) Printed Materials. You must purchase invoices (“**Work Orders**”) either from us or our approved supplier before the commencement of operations. A quantity of 1000 printed Work Orders costs about \$210.00. In addition, you will also purchase other printed materials including business cards, letterhead, envelopes, coupons and the like. We recommend you purchase a Marketing Starter Kit before the commencement of operations. The Marketing Starter Kit will cost you between \$1,257 and \$2,429 based on population/size of market.
- (5) CDU (“Car Door Unlocking” or “Technical”) Training. We charge \$800.00 per technician per 5-day training session for the Pop-A-Lock Training Program. Additional fees may be incurred if training extends beyond 5 days. If such additional fees are incurred, the charge will be \$160.00 per day. The projected low amount assumes 2 Pop-A-Lock Technicians. If you employ more Pop-A-Lock Technicians your training cost will increase by \$800.00 per technician trained.
- (6) Travel and Living Expenses While Training. We provide technical training at our training facility currently in Lafayette, Louisiana. However, we may specify training to take place at another location and facility. You must pay for meals, lodging and travel expenses for each of your employees who travel to Lafayette to receive such technical training. Your actual cost for travel and living expenses while training will depend upon several factors including the number of persons trained, the distance traveled, and mode of transportation. In the event the training is conducted at your business location, or at a location other than our training facility, you shall reimburse us for all transportation, meals and lodging expenses incurred by us in connection with such training.
- (7) Equipment - Communication. Communication equipment required to open and operate a Pop-A-Lock Outlet includes phones and email capable mobile device. As with your tool costs described in Note 2 above, your communication equipment costs will vary according to the number of opening technicians you employ. The projected amount assumes 2 Pop-A-Lock Technicians. If you employ more Pop-A-Lock Technicians your equipment cost will increase.
- (8) Equipment - Emergency Roadside Service. At such time you decide to perform emergency roadside services, you must equip your Pop-A-Lock Technicians to perform services consisting of tire changes, jump starts, and fuel delivery. We will provide you with a list of suggested emergency roadside service equipment. We estimate that it will cost \$600.00 to equip each Pop-A-Lock Technician, depending upon the quality of equipment.

(9) Locksmith Service.

*Training:* You must either hire or contract one or more individuals to be trained by the Franchisor, or in some cases contract with individuals who have demonstrated skill in locksmith techniques. The cost for this category of Franchisor locksmith training is \$2,100.00. Locksmith training is customarily provided through locksmith schools or independent locksmith trainers. We will offer locksmith training to you, at our option, through a designated and approved locksmith school, an independent locksmith trainer or through our employees at a training facility. We reserve the right to limit admission to locksmith service training as our scheduling capacity dictates.

*Equipment:* In addition, you must equip the locksmith employees with locksmith equipment and inventory. We estimate that the equipment costs will be between \$16,995 and \$34,000. The actual costs will vary and depend on the degree of complexity of this service for your franchise, as we may occasionally permit you to perform locksmith service to a lesser degree or with a reduced inventory of machines, tools, equipment, supplies or stock so long as we are informed of exactly what services are to be rendered, what material resources will be available and what level of training the service provider has achieved and we give prior approval of the arrangement. (The average franchisee will spend approximately \$20,000 for their locksmith equipment.) Equipment purchases are items such as chip key credential machines, key blanks, lock-pick tools, and other items required to perform this function as more specifically defined in our manual.

- (10) Equipment - Office. You must purchase from us or designated sources, and use the Pop-A-Lock computer system which may contain proprietary software, and other software specified by us, for the Pop-A-Lock Franchise System. We estimate that the computer system will cost you \$1,500.00, and the updating or upgrading will cost you \$1,500.
- (11) Online and Digital Display Advertisement. Pursuant to Article 8.03 of the Franchise Agreement, you may, depending on costs and exposure, obtain a display-type advertisement in the online directory(ies) covering your Franchise Area. The cost of your display advertisement will depend upon a variety of factors unique to your franchise. You must have a Google My Business listing covering your franchise area.. The projected high-low amounts reflect estimated expenditures in this category for 12 months.
- (12) Initial Advertising. Pursuant to Article 8.01 of the Franchise Agreement, you must spend on continuing local advertising \$25,000 for the first year, usually beginning 6 months after opening. For four franchises, you will spend between \$25,000-\$60,000 the first year of operation.
- (13) Miscellaneous Opening Costs. This category includes security deposits (telephone lines), legal and other professional fees, and insurance premium costs. You must secure and maintain the following insurance coverage: (i) Workers' Compensation insurance as prescribed by state law, (ii) comprehensive general liability insurance covering the operation of the Franchised Business with limits of not less than \$1 million, (iii) automobile and general liability insurance on all vehicles owned by the Franchised Business with limits

of not less than \$1 million and (iv) hired, non-owned automobile liability insurance covering vehicles owned by your employees and used in the performance of their duties with limits of not less \$1 million. All insurance coverage required must include our name as an additional “named insured.”

- (14) Additional Funds [initial period] The Additional Funds figures include payments with respect to government licenses and operational expenses for a start-up period of twelve months, including employee compensation, answering service, telephone service, smart phones, GPS tracking devices, insurance and vehicle lease or finance payments, if applicable. The range of funds needed to cover these costs merely provides a base minimum estimate of start-up working capital requirements. These figures do not include any provision for a salary or draw by the franchise owner. Therefore, in addition to the stated working capital requirements, you should provide for sufficient capital reserves or income from sources other than the Franchised Business to cover your salary or draw (based on your personal financial requirements) during the start-up phase of your franchise. We recommend that you provide for the possibility that your expenses may exceed revenues and maintain sufficient cash reserves to carry you through the start-up and development stage of your business. The exact amount of the reserves will vary from franchise operation to franchise operation and cannot be meaningfully estimated by us. We cannot and do not make any guarantee regarding the point at which your Franchise will earn revenue which will exceed its operating expenses on a sustained basis.
- (15) Vehicles. You may use your current owned vehicle for your Pop-A-Lock business; however, you must identify your vehicle to our specifications. The cost for obtaining and applying the Pop-A-Lock Vehicle Identification can range from \$1,600 and \$2,400. The projected amount assumes you have put the appropriate identification on your current owned vehicle. **You should consult with your accountant or financial advisor in order to develop a business plan for your specific business operation.**

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### **Required Purchases**

You must, as stated in the terms of the Franchise Agreement, lease from us Pop-A-Lock Tool Kits and purchase from us or our designated supplier all invoices required for the operation of the Franchised Business. We are the only approved supplier for opening tools, and employee uniforms. You must obtain locksmith training for your employees from a locksmith school, an independent locksmith trainer approved and designated by us, or us. Additionally, you must purchase locksmith tools, equipment and supplies, per our specifications, only from approved suppliers. You are not obligated to purchase or lease any other goods, services, supplies, fixtures, equipment, or inventory from us or any other designated source. We do not provide material benefits to a franchise owner based on a franchise owner's use of designated or approved suppliers. We may negotiate and receive revenues from, purchase arrangements with suppliers.

We estimate that your purchases in accordance with our specifications will represent approximately 9.5% to 24.4% of your total purchases in connection with your establishment of the Franchised Business, and 15.2% to 75.5% of your total purchases in connection with your continuing operation of the Franchised Business.

#### **Required and Approved Suppliers**

You must purchase all other equipment (including communication equipment), advertising materials, supplies, and other materials required for the operation of the Franchised Business in accordance with specifications, standards and requirements prescribed by us in the Confidential Franchise Operations System Manual. These specification, standards and requirements may be reviewed and changed or revised from time to time. We will provide you with any such changed or revised information within a reasonable amount of time. We may, at our discretion, make available for purchase by you some or all of these items. If you purchase these items from us, or from approved suppliers, we may derive revenue from these purchases. We are not the only approved suppliers of the equipment and other purchases required.

Suppliers are evaluated, approved, or disapproved based upon their reputation, customer references, costs, flexibility, speed of delivery, and financial stability. We will respond within 60 days of a request for approval. We will make available to you upon request, our criteria for supplier approval. All suppliers are reviewed on an annual basis. Suppliers may be suggested by you, other franchisees, the franchisee advisory committee, or by us. Franchisees are promptly notified of any new, approved or revoked supplier. There are no fees payable to us for your requested approval of a new supplier.

There are no officers of, or other person with management or policy-making authority employed by, the franchisor that holds any interest in or derives income or other financial benefits from an approved supplier.



### **Revenue from Purchases**

The Franchisor's total revenue based on the 2021 audited financial statements is \$6,302,084. The Franchisor's revenues from all required purchases or leases was \$23,992.00. The percentage of the Franchisor's total revenues from required purchases or leases was .38 %. The affiliate's revenues from any required purchases or leases was zero.

### **Material Benefits**

We do not receive any material benefits based on your purchases from required or approved suppliers. We do not provide any material benefits to you if you buy from sources we approve.

### **Negotiated Prices**

We do negotiate purchasing programs with suppliers for the benefit of franchisees, including price terms.

### **Cooperatives**

We do not have any purchasing or distribution cooperatives.

### **Computer System and Required Software**

You must buy and use a computer system to run any proprietary and other software. You can purchase the computer system from approved suppliers if they meet our prescribed standards and specifications.

### **Marketing, Social Media, and Internet (Digital Marketing)**

All marketing, including website, SEO, Google AdWords, Email Marketing, Facebook Ads, and social media activities, must be as specified by Franchisor and/or from the approved Franchisor vendor. For any digital or social media programs or services you must provide us with access to a live dashboard.

### **Insurance**

Prior to commencing your Franchised Business, you must acquire and maintain in effect the following insurance coverage: (i) Workers' Compensation insurance as prescribed by state law, (ii) comprehensive general liability insurance covering the operation of the Franchised Business with limits of not less than \$1 million, (iii) automobile and general liability insurance on all vehicles owned by the Franchised Business with limits of not less than \$1 million and (iv) hired, non-owned automobile liability insurance covering vehicles owned by your employees and used in the performance of their duties with limits of not less \$1 million. All insurance coverage required must include our name as an additional "named insured."

**ITEM 9**  
**FRANCHISEE'S OBLIGATIONS**

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

|    | <b>Obligation</b>                                       | <b>Section in Agreement</b>      | <b>Disclosure Document Item</b> |
|----|---------------------------------------------------------|----------------------------------|---------------------------------|
| a. | Site selection and acquisition/lease                    | Not Applicable                   | Item 11                         |
| b. | Pre-opening purchases/leases                            | Articles 6.03, 6.04, 6.05 & 8.03 | Items 7 & 8                     |
| c. | Site development and other pre-opening requirements     | Not Applicable                   | Not Applicable                  |
| d. | Initial and ongoing training                            | Article 3                        | Item 11                         |
| e. | Opening                                                 | Article 6.01                     | Item 11                         |
| f. | Fees                                                    | Articles 1.02 & 4.00             | Items 5, 6 & 7                  |
| g. | Compliance with standards and policies/operating manual | Article 7.00                     | Item 11                         |
| h. | Trademarks and proprietary information                  | Article 5.00                     | Items 13 & 14                   |
| i. | Restrictions on products/services offered               | Articles 1.04 & 6.09             | Item 8 & 16                     |
| j. | Warranty and customer service requirements              | Article 6.08                     | Not Applicable                  |
| k. | Territorial development and sales quotas                | Not Applicable                   | Not Applicable                  |
| l. | Ongoing product/service purchases                       | Articles 6.03, 6.04 & 6.05       | Item 8 & 11                     |
| m. | Maintenance, appearance, and remodeling requirements    | Not Applicable                   | Not Applicable                  |
| n. | Insurance                                               | Article 15.03                    | Item 7 & 8                      |
| o. | Advertising                                             | Article 8.00                     | Items 6 & 11                    |
| p. | Indemnification                                         | Article 15.01                    | Not Applicable                  |
| q. | Owner's participation/management/staffing               | Articles 6.01 & 6.02             | Item 15                         |
| r. | Records/reports                                         | Article 9.00                     | Item 6                          |
| s. | Inspections and audits                                  | Article 9.03                     | Item 6                          |
| t. | Transfer                                                | Article 11.00                    | Item 17                         |

|    | <b>Obligation</b>            | <b>Section in Agreement</b> | <b>Disclosure Document Item</b> |
|----|------------------------------|-----------------------------|---------------------------------|
| u. | Renewal                      | Article 2.02                | Item 17                         |
| v. | Post-termination obligations | Article 13.00               | Item 17                         |
| w. | Non-competition covenants    | Article 10.00               | Item 17                         |
| x. | Dispute resolution           | Article 18.00               | Item 17                         |
| y. | Other                        | Not Applicable              | Not Applicable                  |

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**ITEM 10**  
**FINANCING**

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

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

**Except as listed below, SystemForward America, LLC is not required to provide you with any assistance.**

**Pre-Opening Assistance**

Before you open your Pop-A-Lock Franchise, we will:

1. Designate your exclusive franchise area (Franchise Agreement - Article 1.03).
2. Designate the date on which you must commence full-time operation of the Franchised Business (Franchise Agreement - Article 6.01).
3. Provide you with 1 copy of the Confidential Franchise Operations System Manual (Franchise Agreement - Article 7.01).
4. Train you and/or your designated manager in the management and operation of the Franchised Business, including, marketing, bookkeeping, safety, communications systems, and employer-employee relations (“**Franchisee Training**”). This initial training must occur within approximately 90 days after you sign the Franchise Agreement (Franchise Agreement - Article 3.01) and before you commence operations of the Franchised Business.
5. Provide you with operational and management counseling during the term of the Franchise Agreement promptly upon your request (Franchise Agreement, Article 3.03).

Make available for lease by you all opening tools (“**Pop-A-Lock Tool Kit**”) which you are required to lease from us for the operation of the Franchised Business (Franchise Agreement, Article 6.04).

6. Designate the online directory(ies) in which you may list, at your own expense, a display advertisement for the Franchised Business online. We will assist you with selecting the size and format of your display advertisement (Franchise Agreement, Article 8.03). All advertising will be approved within 21 days of receipt of a written approval request. All internet and World Wide Web advertising must be approved by us.
7. Designate, and you must purchase from us (or designated sources), the Pop-A-Lock computer system which may contain proprietary software, and other software specified by us. (Franchise Agreement, Article 1.04).

**Post-Opening Assistance**

During the operation of the Franchised Business, we will:

1. Provide you with a copy of our Confidential Franchise Operations System Manual which specifies standard operational procedures, policies, rules and regulations established by us with which all franchisees are required to comply. The Confidential Franchise Operations System Manual will remain confidential and the property of us. We will have the right to add to or otherwise modify the Confidential Franchise Operations System Manual, provided that no addition or modification will alter your fundamental status and rights under the Franchise Agreement (Franchise Agreement - Article 7.01). The table of contents of the Confidential Franchise Operations System Manual is attached to this Disclosure Document as **Exhibit J**.
2. Provide you with operational and management counseling, upon your request, and advise you regarding new developments regarding management methods, service or opening methods, and new opening tools. You must give us ongoing access to your accounting, invoice and other information stored on your computers (Franchise Agreement, Article 3.03).
3. We provide advertising materials and services to you through the Pop-A-Lock Advertising Fund (the “**Ad Fund**”). Materials provided by the Ad Fund to all franchisees may include video/audio tapes, camera ready art and printed promotional material. You will receive one sample of each at no charge. If you want additional copies, you must pay duplication costs (Franchise Agreement, Article 8.04).
4. We reserve the right to use advertising fees held in the Ad Fund to create and place advertising in regional or national media. We utilize a combination of in-house marketing and outside agencies to create advertising. We may utilize television, radio, direct mail, and/or the internet as methods of advertising. Advertising funds are used to promote the services sold by the franchisees and are not used to sell additional franchises. We reserve the right to defray the cost of our operating expenses reasonably allocable to the creation and placement of advertising or related to the administration of the Ad Fund by the payment to us of up to a maximum of 20% of the Ad Fund per year (Franchise Agreement, Article 8.04).
5. Advise and assist you with local advertising. You may develop advertising materials for your own use, at your own cost. We must approve the advertising materials in advance and in writing (Franchise Agreement, Articles 8.08 and 8.10).
6. Provide your eligible employees with technical training. This training is currently being provided at our training facility in Lafayette, Louisiana. We will charge you \$800.00 per trainee who attends the Pop-A-Lock Training Course and to certify a qualified technician at a rate of \$20.00 per hour (5 hours or \$100.00 minimum) for each trainee who attends the certification course. You must pay your employee’s travel and accommodation expenses (Franchise Agreement, Article 3.02).

### **Projected Opening**

The typical length of time between the signing of the Franchise Agreement or the first payment of any consideration for the Franchised Business and the opening of the Franchised Business is two to six months. Factors affecting the length of time include the initial training schedule, financing arrangements, and placement of the listing for your Pop-A-Lock outlet in the directory(ies) covering the Franchise Area.

### **Advertising**

We administer the Pop-A-Lock Advertising Fund (the “**Ad Fund**”). Ownership of the Ad Fund is vested in Pop-A-Lock Advertising Fund, Inc., an affiliate corporation organized under the laws of the State of Louisiana. All payments to the Ad Fund must be spent on advertising, promotion, and marketing of services provided by the Pop-A-Lock System, as well as development and enhancement of strategic alliances and business development programs with automobile clubs, except for a maximum of 20% of the Ad Fund per year which may be paid to us for expenses attributable to administration of the Advertising Fund. You must contribute 1.0% of Gross Sales to the Ad Fund. All Franchisees contribute the same amount. Franchisor/Affiliate- owned outlets do not contribute. The Ad Fund is used to promote the services sold by the franchisee and is not used to sell additional franchises. The Franchisor may utilize television, radio, direct mail, and/or the internet as methods of advertising. Neither we, nor the Ad Fund, are required to spend any amount on advertising in the area or territory where your franchise is located.

The Ad Fund is administered by our personnel. The Ad Fund is not audited. Of the fiscal year-end date of 12/31/21, forty-three (43%) of the Advertising Fund was used for internet & website placement, tv & video production, printed materials, and agency creative consulting. Twenty-eight percent (28%) of the 2021 Advertising Fund was used for administrative expenses such as, management fees, office supplies, shipping, postage, and professional fees. The remaining twenty-nine percent (29%) was used for Franchisee employee recruitment and retention plans, ongoing knowledge sharing, meetings, and communications. If all advertising fees are not spent in the fiscal year in which they accrue, the funds are carried over to the next fiscal year. The financial statements are not available for review by the franchisee.

We have a franchisee advisory capacity only advertising council, currently composed of three franchisees that advise us on advertising policies and programs. We select the members and have the power to form, change, or dissolve the advertising council. We have not reserved the power to require advertising/marketing cooperatives to be formed, changed, dissolved or merged. You are not currently required to participate in a local or regional advertising cooperative.

### **Computer Requirements**

You must buy and use a computer system to run any proprietary and other software which has been approved, required, or recommended by us, and to provide access to the Internet and to e-mail. You must purchase a Windows compatible operating system with a minimum of 1gb of memory and a hard drive with a minimum of 20gb. This computer system will store accounting, and employee data.

You must also have an Internet service provider for Internet access and e-mail accounts. Every three years you must update or upgrade your computer system to the then current standard. We have the right to access the information on your computer system, solely as it relates to the Franchised Business, and no other business.

We estimate that your initial costs of acquiring the required computer system are \$1,500. We estimate that your annual cost to upgrade or update your system will be \$1,500.

The Franchisor will have independent access to the information generated and stored in the computer system. Franchisor will not be able to have independent access to data unrelated to the franchise.

There is no contractual limitation to upgrade and update the computer systems during the term of the franchise.

### **Site Selection**

We do not assist you with selection of or approve the site within your exclusive franchise area from which you operate the Franchised Business.

### **Operating Manual**

We will provide you with one copy of our Confidential Franchise Operations System Manual (the “**Manual**”). This Manual is confidential and remains our property. We may modify this Manual from time to time and will provide you with any such modifications within a reasonable amount of time. The table of contents for the Manual is attached to this Disclosure Document as **Exhibit J**. There are 382 pages in the Confidential Operations Manual: Table of Contents, 12 pages; Introduction, 8 pages; Franchise Operations, 40 pages; Franchise Standards, 8 pages; Human Resources, 37 pages; Administrative Policies, 47 pages; Accounting 26 pages; Marketing, 64 pages; Advertising, 38 pages; Miscellaneous, 6 pages; and Exhibits, 96 pages.

### **Training**

#### **TRAINING PROGRAM**

| <b>Subject</b>                             | <b>Hours of Classroom Training</b> | <b>Hours of Training On-The-Job</b> | <b>Location</b>      |
|--------------------------------------------|------------------------------------|-------------------------------------|----------------------|
| <b>Franchisee Training</b>                 |                                    |                                     |                      |
| Franchise Operations, Locksmith Operations | 11.00                              | 0                                   | Lafayette, Louisiana |
| Marketing, Advertising, & Sales            | 4.00                               | 0                                   | Lafayette, Louisiana |



|                                                                                |                    |      |                      |
|--------------------------------------------------------------------------------|--------------------|------|----------------------|
| Field Training, Ride-A-Long                                                    | 0                  | 4.00 | Lafayette, Louisiana |
| Dispatch/Communications                                                        | 0                  | 3.00 | Lafayette, Louisiana |
| Introduction to Finance                                                        | 1.00               | 0    | Lafayette, Louisiana |
| Drops, Deposits and Payroll                                                    | 2.00               | 0    | Lafayette, Louisiana |
| Administrative Policies, Human Resources, Training                             | 1.00               | 0    | Lafayette, Louisiana |
| <b>Pop-A-Lock Training Program</b>                                             |                    |      |                      |
| Car Door Unlocking Techniques, Road Side Service, Safety, (basic Locksmithing) | 8 hours for 5 days | 0    | Lafayette, Louisiana |

Our experienced trainers will provide instruction using the following materials:

- Franchise Agreement, Business Plan
- Confidential Franchise Operations System Manual
- Handouts
- Unlocking Manual

### **Training Instructors**

**David Briscoe.** David Briscoe works and assists with our Field Training and leads our Pop-A-Lock Training Program. Mr. Briscoe received experience performing car door unlocking while serving as the Instructor of the Pop-A-Lock Technician Training Program, as well as, being employed as a technician in the Lafayette, Louisiana franchise location since April 2002.

**Don Marks.** Don Marks also assists with our Pop-A-Lock Training Program by providing the Overview of Pop-A-Lock Franchise and Mission, along with the subsequent question and answer session. Mr. Marks began his employment as Chief Executive Officer with SystemForward America in 2003. Prior to working as C.E.O. for SystemForward America, Don had 20 years' experience in the building, managing and marketing of rapid growth businesses. He does not provide any instructional materials.

**Rob Reynolds.** Rob Reynolds heads up our Franchise Operations and Locksmith Operations sessions of the Pop-A-Lock Training Program, along with the Dispatch and Communications session. Rob is a Certified Professional Locksmith (CPL) for fifteen years, as well as a Certified Professional SafeTech (CPS). He is a member of Associated Locksmiths of America. He began his employment with SystemForward America in 2003. Mr. Reynolds' instructional materials are of a locksmith nature.

**Linda Payne.** Linda Payne teaches finance for our Pop-A-Lock Training Program. Linda began her career with Pop-A-Lock in 1994 as Comptroller/Regional Manager and began her career with SystemForward America as Financial Manager in 2004. Her instructional materials are of the accounting and financial nature.

**Jill Villejoin.**

Jill Villejoin teaches marketing and advertising for our Pop-A-Lock Training Program. Jill was a Mentor (Corporate Franchise Consultant) with Curves International from 2002-2006. She worked as a Life Insurance Agent from 2006-2008 then began working as a Life Enrichment Director from 2009-2016 at Southwind Senior Living. Mrs. Villejoin joined SystemForward in January 2017 as the Director of Marketing.

**Franchisee Training**

You and/or your designated manager in the management and operation of the Franchised Business must attend initial training (“**Franchisee Training**”) within approximately 90 days after you sign the Franchise Agreement and before you commence operations of the Franchised Business. This training shall be conducted at our offices in Lafayette, Louisiana (or elsewhere as specified in advance) or (at our option) at your business location and shall have a duration consistent with the needs of the individual franchisee, but of a minimum duration of 4 days. We provide the initial training without additional charge to you except that you must pay for all travel and living expenses incurred by you and your employees. In the event the training is conducted at your business location, or at a location other than our training facility, you shall reimburse us for all transportation, meals and lodging expenses incurred by us in connection with such training. The training must be completed to the Franchisor’s satisfaction. We do not require any additional training or refresher courses.

**Pre-Opening Inventory**

You must lease from us all car door opening tools (the “**Pop-A-Lock Tool Kit**”), and purchase the opening Marketing Starter Kit, and technical training services from us before commencement of operations of your Pop-A-Lock Franchise. You must have an initial supply of equipment sufficient to outfit the opening technicians employed when you commence your Franchised Business.

We offer the Pop-A-Lock Tool Kit on a lease basis for a single, non-refundable lease fee of \$281.00. Additionally, you must purchase one Pop-A-Lock Marketing Starter Kit which will cost you between \$750 and \$1500 based on population/ size of market.

**CDU or Technical Training**

You and all of your employees who have signed the non-disclosure and non-competition agreements prescribed by Article 10.4 of the Franchise Agreement shall be eligible to participate in our technical training program (the “**Pop-A-Lock Training Program**”). The Pop-A-Lock Training Program consists of a minimum of 5 days at 8 hours per day and includes instruction in (i) the techniques and methods established or adopted by us to unlock car doors, (ii) the proper use

of opening tools prescribed for use by us, and (iii) procedures for performing emergency roadside assistance. We charge \$800.00 for each technician employed by you per five (5) day training session. Including the Pop-A-Lock Tool Kit, which is \$700.00 per kit, it will cost you a total of \$1,500 to train and equip one Pop-A-Lock Technician. We will assist you in determining the number of Pop-A-Lock Technicians you will need to commence operation of your franchise. Each of your employees who will perform car door unlocking services must successfully complete the Pop-A-Lock Training Program for the unlocking services they will perform in accordance with our standards. The training must be completed to the Franchisor's satisfaction. We do not require any additional training or refresher programs.

### **Locksmith Training**

You must obtain locksmith training for your employees from the Franchisor, a locksmith school, or an independent locksmith trainer approved and designated by us. You must either hire or contract with individuals who have demonstrated skill in locksmith techniques or provide one or more employees with locksmith training. Based upon our experience, it takes approximately 10 days to provide an individual with sufficient training to perform automotive and light residential and commercial locksmith services. Any additional training required for certification, licensing or acquiring of a locksmith permit in accordance with local, state or federal mandates is your burden. We can make no guarantee or promise that any or all persons trained by us or our designee will be capable of meeting local, state or federal standards for licensing, permit nor certification. We will offer locksmith training to you, at our option, through a designated and approved locksmith school, an independent locksmith trainer or through our employees at a training facility. In addition, you must equip the locksmith employees with locksmith equipment and inventory. We reserve the right to limit admission to locksmith service training as our scheduling capacity dictates. Additional training may be necessary, but not required, as business opportunities dictate. Any locksmith training provided by the Franchisor must be completed to the Franchisor's satisfaction. Refresher courses may be required by State Licensing Laws, but not required by Franchisor.

In addition to the costs of training paid to us described in **Items 6 and 7** of this Disclosure Document, you must bear the travel and accommodation expenses associated with this training (Franchise Agreement, Article 3.02). See **Items 6 and 7** of this Disclosure Document.

### **Equipment**

Office Equipment: You must purchase from us or designated sources, and use the Pop-A-Lock computer system which may contain proprietary software, and other software specified by us, for the Pop-A-Lock Franchise System. We estimate that the computer system described above will cost you from \$1,500.00.

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## **ITEM 12**

### **TERRITORY**

You will be granted an exclusive geographic area (the “**Franchise Area**”) within which to operate your Franchised Business. Your Franchise Area will be defined by geographic ZIP code areas. Population is determined by using the latest available U.S. Census numbers.

Sometimes, a ZIP code area or a portion of a ZIP code area may overlap county lines or receive coverage by both the principal telephone directory distributed to your Franchise Area and by a directory that serves as the principal telephone directory for an adjacent franchise area granted. The directory that lists that ZIP code as the “home book AIP code” shall determine the exclusivity for the franchisee.

Territorial exclusivity is not dependent on achieving a certain sales volume, market penetration, or other contingency.

There are no circumstances that permit us to modify the Franchisee’s territorial rights.

If your Franchise Area includes a non-exclusive ZIP code area, you and any other franchise owner whose Franchise area includes the same non-exclusive ZIP code area must operate in the non-exclusive area in accordance with the policies and procedures contained in our Manual, as revised from time to time. Franchisee cannot solicit orders from consumers outside of his or her territory using channels of distribution such as the internet, catalog sales, telemarketing, or other direct marketing.

Prior to the execution of your Franchise Agreement, we will provide you with a written description of your Franchise Area and designate which portion, if any, is deemed to be non-exclusive. We do not assign a minimum population to your Franchise Area, however, we do not grant franchise areas with populations of less than 500,000. We will not allow another franchisee to physically locate its office in another licensed franchised area. If you do not comply with the market penetration quota, including the number of vehicles, car door unlocking technicians, and locksmiths, specified in 6.01 of the Franchise Agreement, your franchise may be terminated. You maintain rights to your area even though the population increases.

You will also be provided with a document indicating in which directories you may advertise without prior permission from us, subject only to the normal advertising approval process specified in the Confidential Franchise Operations System. You may not advertise your franchise in any directory not specified on this document without our prior written permission.

**WE RESERVE THE RIGHT TO REQUIRE YOU TO OFFER THROUGH YOUR FRANCHISED BUSINESS REQUIRED ADDITIONAL SERVICES COMPATIBLE WITH THE POP-A-LOCK SYSTEM.** We shall exercise this right by notifying you in writing describing the required additional services (“**Required Additional Services**”). As soon as practicable under the circumstances, but not less than 90 days from receipt of the notice, you must secure all training, equipment, tools, inventory, and personnel necessary to offer the Required Additional Services in full compliance with our operating standards.

You do not receive the right to acquire additional franchises within your area.

You have to comply with the number of vehicles, car door unlocking technicians, and locksmiths specified in section 6.01 of the Franchise Agreement. You maintain rights to your area even though the population increases.

As provided in section 8.11 of the Franchise Agreement, if you do not properly service or refuse to service a National Account or refuse to provide or not properly provide an authorized or required service to a National Account, we reserve the right on our behalf or on behalf of any affiliate to use alternate channels of distribution, such as the internet, to solicit business within or outside of your Franchise Area to make sales of products or services under our principal trademarks as disclosed in this Disclosure Document. We will not be obligated to pay you any compensation for any such solicitation within your Franchise Area.

Except as discussed above, you are not restricted from soliciting or accepting orders for service inside your defined territory.

Except for non-compliance with the Franchise Agreement, there are no other circumstances that permit the Franchisor to modify the franchisee's territorial rights.

The Franchisor does not allow relocation of the franchised business.

The Franchisor or affiliates has no plans to operate or franchise a business under a different trademark selling goods or services similar to those of the Franchisee.

The Franchisor or an affiliate does not have the right to use other channels of distribution such as Internet, catalog sales, telemarketing, or other direct marketing to make sales within the franchisee's territory of products or services *under trademarks different* from the ones the franchisee will use under the franchise agreement.

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### **ITEM 13**

### **TRADEMARKS**

Under the Franchise Agreement, we grant you the right to operate a Pop-A-Lock Franchise using the name “**Pop-A-Lock, and A Car Door Unlocking Service®**”, and “**Pop-A-Lock Trusted Locksmith.**”

We have registered the Proprietary Marks on the Principal Register of the United States Patent and Trademark Office (“**USPTO**”). Subject to our operational standards, you may also use our other current or future trademarks (the “**Licensed Marks**”) to operate your franchise.

The current Licensed Marks consist of:

- A mark depicting the frontal view of a car with doors open and incorporating the words “Pop-A-Lock A Car Door Unlocking Service” – registered October 12, 1993 (renewed) and assigned registration number 1,798,348
- A mark “Pop-A-Lock – registered on February 1, 2000 and assigned registration number 2,314,000
- A mark depicting the frontal view of a car with doors open – registered on December 19, 2000 and assigned registration number 2,413,518
- A mark depicting a key, a house and the frontal view of a car with doors open and incorporating the words “Pop-A-Lock Trusted Locksmith” – registered on March 20, 2007 and assigned registration number 3,219,253
- A mark depicting the frontal view of a car with doors open and incorporating the word “Pop-A-Lock” – registered on July 23, 2002 and assigned registration number 2,597,977
- A mark depicting a triangle design incorporating the words “Emergency Car Door Unlocking” and “Free When Child Locked Inside” – registered on May 7, 2002 and assigned registration number 2,567,194
- A mark “America’s Most Trusted Team of Locksmiths” – registered on January 14, 2014 and assigned registration number 4,466,643
- A mark incorporating the words “The Security Professionals, Site Security Solutions”- registered on May 13, 2014 and assigned registration number 4,531,041
- A Mark depicting a cartoon dog and incorporating the words “PAL Saves Kids” and “A Free Service Saving Kids Locked in Cars”- registered on August 5, 2014 and assigned registration number 4,579,273

The Licensed Marks are depicted in **Exhibit F** of this Disclosure Document.

We have timely filed, or intend to timely file, with the USPTO all required affidavits of use and renewal applications, when due, for the Licensed Marks. There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the Licensed Marks. We do not know of any superior prior rights or infringing uses that could materially affect the franchisee's use of the principal trademarks in the state of Louisiana or the state in which the Franchised Business is to be located.

We do not as a matter of practice register all of the Licensed Marks under state registration provisions, except that the service mark utilizing the frontal view of a car with doors open and incorporating the words **"Pop-A-Lock A Car Door Unlocking Service"** has been registered in the following states: Alabama, Alaska, Arkansas, Arizona, California, Colorado, Delaware, Florida, Georgia, Indiana, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Nebraska, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Washington.

You must use the Licensed Marks, including all service marks under Pending Applications, in full compliance with rules prescribed by us. For any such pending applications for unregistered marks for which we do not have federal registrations for, these principal marks do not have many legal benefits and rights as a federally registered trademark.

In addition, you must acknowledge our ownership rights in the Licensed Marks and agree not to use any of the Licensed Marks in a confusingly similar manner in your own corporate or business name.

There are no agreements currently in effect that significantly limit our rights to use or license the use of the Licensed Marks in any manner material to the franchise.

In the event of any infringement of, or challenge to, your use of any Licensed Mark, you are obligated to immediately notify us. We will have sole discretion to take such action as we deem appropriate. In the event we take any action to prosecute or defend an infringement action, at our request you must assist us in any manner deemed reasonable and necessary, at our expense. We are not obligated, however, to defend or indemnify you against a claim arising from your use of the Licensed Marks.

Franchisor and franchisee have the right to control any administrative proceedings or litigation involving a trademark licensed by franchisor to franchisee because both Franchisor and franchisee can incur business and reputation losses that they want to pursue.

Under the Franchise Agreement, we reserve the right, in our sole discretion, to modify or designate new Licensed Marks (including discontinuance of existing Licensed Marks). In that event, you will be required to use the modified or new Licensed Marks at your expense. Any expenses or costs associated with the use by Franchisee of any such new, modified, or replacement Licensed Marks shall be the sole responsibility of the Franchisee.

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

**Patents**

There are no current patents or pending patents that are material to the operation of the Franchised Business.

**Copyrights**

We claim common law copyrights on our materials, including the Confidential Franchise Operations System Manual, the Confidential Unlocking Manual, charts, forms, contracts, films, tapes, designs, printed material, and telephone directory advertising formats. On July 11, 2001, we filed an application to register the Confidential Unlocking Manual with the Register of Copyrights at the Library of Congress. This application was approved on July 16, 2001. The copyright registration number for the Confidential Unlocking Manual is TXu-1-072-153. This copyright is valid for the life of the Franchisor, plus 75 years, and can be renewed at that time. The Confidential Franchise Operations System Manual is not currently registered and there is no pending application. The Confidential Franchise Operations System Manual, including the Confidential Unlocking Manual, is described in Article 7 of the Franchise Agreement (hereafter the “**Manuals**”).

Although we have not at this time filed an application for a copyright registration for the Confidential Franchise Operations System Manual or the charts, forms, contracts, films, tapes, designs, printed material, or telephone directory advertising formats, we reserve any and all rights which we have in these materials. Furthermore, we claim that the information contained in these materials is proprietary. When you sign the Franchise Agreement, you acknowledge that the proprietary information contained in these Manuals is confidential and agree not to disclose it to any unauthorized person. You must promptly tell us when you learn about unauthorized use of this proprietary information. We are not obligated to take any action; however, depending upon the nature and extent of the unauthorized use, we will take whatever action we deem appropriate.

The Franchisor is not aware of any copyright infringements that could materially affect the franchisee.

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

If you are an individual proprietor, you must directly supervise the Franchised Business on a full-time basis. If you are a corporation or business entity other than a sole proprietorship, you must designate a manager who will directly supervise the Franchised Business. The designated manager need not have an ownership interest in the business entity franchisee or in the Franchise Agreement. The manager must directly supervise the Franchised Business on a full-time base. The designated manager must sign a written agreement to maintain confidentiality of the proprietary information and to conform to the covenant not to compete. Franchisees and Franchised Business managers must complete the training described in 3.01 of the Franchise Agreement.

Each individual who owns an interest in the franchisee entity must sign an agreement by which each individual assumes and agrees to discharge all obligations of the Franchisee under the Franchise Agreement (the “**Personal Guarantee**”). The Personal Guarantee is made part of the Franchise Agreement and located on page 23 thereof.

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

You must offer and sell only those services and products that we have approved in writing. You must agree not to engage in any other business activity which will interfere with the operation of the Franchised Business. You must comply with the standards and procedures specified in our Manual and other written manuals as may be amended and supplemented and to conduct your business in strict accordance.

You are required to offer car door unlocking, emergency roadside, vehicle locksmith services, commercial and residential locksmith services, and security services. There are no limits on the franchisor's right to make changes in regard to authorized goods or services. We reserve the right to require you to offer other authorized additional services compatible with the Pop-A-Lock System. After notice from us, you shall, as soon as practicable under the circumstances, but not less than 90 days from receipt of the notice, secure all training, equipment, tools, inventory and personnel necessary to offer other additional services in full compliance with the standards established by us. You must either hire or contract with individuals who have demonstrated skill in locksmith services or provide employees with locksmith training.

You must participate in our PAL Saves Kids Program. The PAL Saves Kids Program is offered by Pop-A-Lock and its franchisees as a free service to the general public, communities, emergency service providers, and roadside assistance companies. You must also participate in the Regional and National Accounts Programs. You must provide emergency car door unlocking free of charge when a child is locked inside the vehicle to be unlocked or if human life is in danger.

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**ITEM 17**  
**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

|    | <b>Provision</b>                                    | <b>Section in Franchise or other Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                 |
|----|-----------------------------------------------------|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. | Length of the franchise term                        | Article 2.01                                   | Term is 10 years                                                                                                                                                                                                                               |
| b. | Renewal or extension of the term                    | Article 2.02                                   | Renewal term is 10 years                                                                                                                                                                                                                       |
| c. | Requirements for franchisee to renew or extend      | Article 2.02                                   | Must be in good standing, must sign then-current form of Franchise Agreement which may contain materially different terms than those contained in the agreement attached to this Disclosure Document.                                          |
| d. | Termination by franchisee                           | Article 12.03                                  | Material Breach by Us                                                                                                                                                                                                                          |
| e. | Termination by franchisor without cause             | Not Applicable                                 | Not Applicable                                                                                                                                                                                                                                 |
| f. | Termination by franchisor with cause                | Article 12.01, 12.02                           | Default under Franchise Agreement, bankruptcy, abandonment, and other grounds; see Article 12 of Franchise Agreement. Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing. |
| g. | “Cause” defined – curable defaults                  | Article 12.02                                  | You have 30 days to cure non-payment of fees, non-compliance with any provision of Franchise Agreement or Confidential Franchise Operations System Manual or satisfy (pay) final judgment.                                                     |
| h. | “Cause” defined – non-curable defaults              | Article 12.01                                  | Non-curable defaults include transfer without consent, bankruptcy*, failure to commence or abandonment of operations, material misrepresentations, and conviction of crime                                                                     |
| i. | Franchisee’s obligations on termination/non-renewal | Article 13.00                                  | Obligations include complete de-identification, payment of sums due and return of Manuals and Tool Kits                                                                                                                                        |

|    | <b>Provision</b>                                                       | <b>Section in Franchise or other Agreement</b> | <b>Summary</b>                                                                                                                                                                                     |
|----|------------------------------------------------------------------------|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| j. | Assignment of contract by franchisor                                   | Article 11.03                                  | No restriction on our right to assign                                                                                                                                                              |
| k. | “Transfer” by franchisee - defined                                     | Article 11.01                                  | Upon our written consent; transfer fee of \$8,000                                                                                                                                                  |
| l. | Franchisor approval of transfer by Franchisee                          | Article 11.01                                  | We have right to approve all transfers but will not unreasonably withhold approval                                                                                                                 |
| m. | Conditions for franchisor approval of transfer                         | Article 11.01                                  | New Franchisee must qualify and execute new Franchise Agreement; prior Franchise Owner must pay all sums due and execute release                                                                   |
| n. | Franchisor’s right of first refusal to acquire franchisee’s business   | Article 11.04                                  | We have right to match offer for Franchisee’s business                                                                                                                                             |
| o. | Franchisor’s option to purchase franchisee’s business                  | Article 11.04                                  | We have the option to exercise our right of first refusal                                                                                                                                          |
| p. | Death or disability of franchisee                                      | Article 11.05                                  | Franchise may be transferred to your legal heirs or legatees if qualify and sign new Franchise Agreement                                                                                           |
| q. | Non-competition covenants during the term of the franchise             | Articles 10.02 & 10.03                         | No involvement in competing business                                                                                                                                                               |
| r. | Non-competition covenants after the franchise is terminated or expires | Articles 10.02 & 10.03                         | No competing business for 2 years within franchise area, no use of trade secrets & proprietary information                                                                                         |
| s. | Modification of the agreement                                          | Article 16.04                                  | No modifications generally, but Confidential Franchise Operations System Manual subject to change                                                                                                  |
| t. | Integration/merger clause                                              | Article 16.04                                  | Only the terms of the Franchise Agreement are binding (subject to state law); Any representations or promises made outside the disclosure document and franchise agreement may not be enforceable. |
| u. | Dispute resolution by arbitration or mediation                         | Article 18.00                                  | Except for certain claims, all claims asserted by you must be arbitrated                                                                                                                           |
| v. | Choice of forum                                                        | Articles 18.02 & 18.03                         | Louisiana (subject to applicable state law)<br>*Subject to State law as described in Exhibit E.                                                                                                    |
| w. | Choice of law                                                          | Article 18.01                                  | Louisiana (subject to applicable state law)<br>*Subject to State law as described in Exhibit E.                                                                                                    |

Please refer to Exhibit E for the state addenda and contractual amendments appended to this Disclosure Document for additional terms that may be required under applicable state law.

In addition to the provisions noted in the chart above, the Franchise Agreement contains a number of provisions that may affect your legal rights. We recommend that you carefully review all of these provisions, and all of the contracts, as well as this Disclosure Document, with a lawyer.

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**ITEM 18**  
**PUBLIC FIGURES**

We currently do not use any public figure to promote our franchises.

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**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 only be given 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 reported level of financial performance was achieved in calendar year 2021. The total number of outlets that existed in calendar year 2021 was 479 and all 479 outlets were included in this information.

1. The top 30% of Franchisees' that own more than 11 franchise outlets, based on EBITDA and % of system revenues, gross annual income ranges from \$1,121,193.90 to \$7,397,468.10 per year with an average of \$3,535,983.24 and a median of \$4,259,331.00. These franchisees own territories with populations from 1,584,623 to 6,694,697.
  - a. Based on royalty reports –for the calendar year 2021 (these royalty reports are not audited, and we have not verified them).
  - b. Franchisees have multiple franchise territories, contiguous major markets and/or non-contiguous mid-size markets, and all offer the same services
  - c. 100% of those outlets actually attained or supposed the stated results.
2. The bottom 30% of Franchisees' that own more than 11 franchise outlets, based on EBITDA and % of system revenues, gross annual income ranges from \$11,209.56 to \$329,471.41 per year with an average of \$124,826.03 and a median of \$21,041.23. These franchisees own territories with populations from 1,381,696 to 5,794,902.
  - d. Based on royalty reports –for the calendar year 2021 (these royalty reports are not audited, and we have not verified them).
  - e. Franchisees have multiple franchise territories, contiguous major markets and/or non-contiguous mid-size markets, and all offer the same services
  - f. 100% of those outlets actually attained or supposed the stated results.
3. The bottom 30 % of Franchisees' that own less than 11 franchise outlets based on EBITDA and % of system revenues, gross annual income ranges from \$18,440.00 to \$239,793.17 with an average of \$84,685.32 and a median of \$67,354.10. These franchisees own territories with populations from 33,920 to 1,241,224.
  - a. Based on royalty reports –for the calendar year 2021 (these royalty reports are not audited, and we have not verified them).
  - b. Franchisees have multiple franchise territories, contiguous major markets and/or non-contiguous mid-size markets, and all offer the same services
  - c. 100% of those outlets actually attained or supposed the stated results.

**Some outlets have [sold] [earned] this amount. Your individual results may differ. There is no assurance that you'll [sell] [earn] as much.**

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

Other than stated above, we do not make any representations about a franchisee's future financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. In making its assumptions for future financial performance, the Franchisor considered such significant factors as all the expenses set forth in Items 5, 6, and 7. 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 Donald Marks, CEO at 1018 Harding Street, Suite 101, Lafayette, Louisiana 70503 and (337) 233-6211, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table 1**  
**Systemwide Outlet Summary**  
**For Years 2019/2020/2021**

| <b>Column 1</b><br><b>Outlet Type</b> | <b>Column 2</b><br><b>Year</b> | <b>Column 3</b><br><b>Outlets at the Start<br/>of the Year</b> | <b>Column 4</b><br><b>Outlets at the End of<br/>the Year</b> | <b>Column 5</b><br><b>Net Change</b> |
|---------------------------------------|--------------------------------|----------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------|
| <b>Franchised</b>                     | <b>2019</b>                    | <b>480</b>                                                     | <b>478</b>                                                   | <b>-2</b>                            |
|                                       | <b>2020</b>                    | <b>478</b>                                                     | <b>479</b>                                                   | <b>+1</b>                            |
|                                       | <b>2021</b>                    | <b>479</b>                                                     | <b>479</b>                                                   | <b>0</b>                             |
| <b>Company-Owned</b>                  | <b>2019</b>                    | <b>7</b>                                                       | <b>7</b>                                                     | <b>0</b>                             |
|                                       | <b>2020</b>                    | <b>7</b>                                                       | <b>7</b>                                                     | <b>0</b>                             |
|                                       | <b>2021</b>                    | <b>7</b>                                                       | <b>7</b>                                                     | <b>0</b>                             |
| <b>Total Outlets</b>                  | <b>2019</b>                    | <b>487</b>                                                     | <b>485</b>                                                   | <b>-2</b>                            |
|                                       | <b>2020</b>                    | <b>485</b>                                                     | <b>486</b>                                                   | <b>+1</b>                            |
|                                       | <b>2021</b>                    | <b>486</b>                                                     | <b>486</b>                                                   | <b>0</b>                             |

**Table 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For Years 2019/2020/2021**

| <b>Column 1</b>   | <b>Column 2</b> | <b>Column 3</b>            |
|-------------------|-----------------|----------------------------|
| <b>State</b>      | <b>Year</b>     | <b>Number of Transfers</b> |
| <b>ALABAMA</b>    | <b>2019</b>     | <b>0</b>                   |
|                   | <b>2020</b>     | <b>0</b>                   |
|                   | <b>2021</b>     | <b>0</b>                   |
| <b>ALASKA</b>     | <b>2019</b>     | <b>0</b>                   |
|                   | <b>2020</b>     | <b>0</b>                   |
|                   | <b>2021</b>     | <b>0</b>                   |
| <b>ARIZONA</b>    | <b>2019</b>     | <b>0</b>                   |
|                   | <b>2020</b>     | <b>0</b>                   |
|                   | <b>2021</b>     | <b>0</b>                   |
| <b>ARKANSAS</b>   | <b>2019</b>     | <b>0</b>                   |
|                   | <b>2020</b>     | <b>0</b>                   |
|                   | <b>2021</b>     | <b>0</b>                   |
| <b>CALIFORNIA</b> | <b>2019</b>     | <b>0</b>                   |
|                   | <b>2020</b>     | <b>0</b>                   |
|                   | <b>2021</b>     | <b>0</b>                   |
| <b>COLORADO</b>   | <b>2019</b>     | <b>0</b>                   |
|                   | <b>2020</b>     | <b>0</b>                   |
|                   | <b>2021</b>     | <b>0</b>                   |

## Franchise Disclosure Document

| <b>Column 1</b>             | <b>Column 2</b> | <b>Column 3</b>            |
|-----------------------------|-----------------|----------------------------|
| <b>State</b>                | <b>Year</b>     | <b>Number of Transfers</b> |
| <b>CONNECTICUT</b>          | <b>2019</b>     | <b>0</b>                   |
|                             | <b>2020</b>     | <b>0</b>                   |
|                             | <b>2021</b>     | <b>0</b>                   |
| <b>DELAWARE</b>             | <b>2019</b>     | <b>0</b>                   |
|                             | <b>2020</b>     | <b>0</b>                   |
|                             | <b>2021</b>     | <b>0</b>                   |
| <b>DISTRICT OF COLUMBIA</b> | <b>2019</b>     | <b>0</b>                   |
|                             | <b>2020</b>     | <b>0</b>                   |
|                             | <b>2021</b>     | <b>0</b>                   |
| <b>FLORIDA</b>              | <b>2019</b>     | <b>0</b>                   |
|                             | <b>2020</b>     | <b>1</b>                   |
|                             | <b>2021</b>     | <b>1</b>                   |
| <b>GEORGIA</b>              | <b>2019</b>     | <b>0</b>                   |
|                             | <b>2020</b>     | <b>0</b>                   |
|                             | <b>2021</b>     | <b>0</b>                   |
| <b>HAWAII</b>               | <b>2019</b>     | <b>0</b>                   |
|                             | <b>2020</b>     | <b>1</b>                   |
|                             | <b>2021</b>     | <b>1</b>                   |
| <b>IDAHO</b>                | <b>2019</b>     | <b>0</b>                   |
|                             | <b>2020</b>     | <b>0</b>                   |
|                             | <b>2021</b>     | <b>0</b>                   |

## Franchise Disclosure Document

| <b>Column 1</b>  | <b>Column 2</b> | <b>Column 3</b>            |
|------------------|-----------------|----------------------------|
| <b>State</b>     | <b>Year</b>     | <b>Number of Transfers</b> |
| <b>ILLINOIS</b>  | <b>2019</b>     | <b>0</b>                   |
|                  | <b>2020</b>     | <b>0</b>                   |
|                  | <b>2021</b>     | <b>0</b>                   |
| <b>INDIANA</b>   | <b>2019</b>     | <b>0</b>                   |
|                  | <b>2020</b>     | <b>0</b>                   |
|                  | <b>2021</b>     | <b>0</b>                   |
| <b>IOWA</b>      | <b>2019</b>     | <b>0</b>                   |
|                  | <b>2020</b>     | <b>0</b>                   |
|                  | <b>2021</b>     | <b>0</b>                   |
| <b>KANSAS</b>    | <b>2019</b>     | <b>0</b>                   |
|                  | <b>2020</b>     | <b>0</b>                   |
|                  | <b>2021</b>     | <b>0</b>                   |
| <b>KENTUCKY</b>  | <b>2019</b>     | <b>0</b>                   |
|                  | <b>2020</b>     | <b>0</b>                   |
|                  | <b>2021</b>     | <b>0</b>                   |
| <b>LOUISIANA</b> | <b>2019</b>     | <b>1</b>                   |
|                  | <b>2020</b>     | <b>0</b>                   |
|                  | <b>2021</b>     | <b>0</b>                   |
| <b>MAINE</b>     | <b>2019</b>     | <b>0</b>                   |
|                  | <b>2020</b>     | <b>0</b>                   |
|                  | <b>2021</b>     | <b>0</b>                   |

## Franchise Disclosure Document

| <b>Column 1</b>      | <b>Column 2</b> | <b>Column 3</b>            |
|----------------------|-----------------|----------------------------|
| <b>State</b>         | <b>Year</b>     | <b>Number of Transfers</b> |
| <b>MARYLAND</b>      | <b>2019</b>     | <b>0</b>                   |
|                      | <b>2020</b>     | <b>0</b>                   |
|                      | <b>2021</b>     | <b>0</b>                   |
| <b>MASSACHUSETTS</b> | <b>2019</b>     | <b>0</b>                   |
|                      | <b>2020</b>     | <b>0</b>                   |
|                      | <b>2021</b>     | <b>0</b>                   |
| <b>MICHIGAN</b>      | <b>2019</b>     | <b>0</b>                   |
|                      | <b>2020</b>     | <b>0</b>                   |
|                      | <b>2021</b>     | <b>0</b>                   |
| <b>MINNESOTA</b>     | <b>2019</b>     | <b>0</b>                   |
|                      | <b>2020</b>     | <b>0</b>                   |
|                      | <b>2021</b>     | <b>0</b>                   |
| <b>MISSISSIPPI</b>   | <b>2019</b>     | <b>0</b>                   |
|                      | <b>2020</b>     | <b>0</b>                   |
|                      | <b>2021</b>     | <b>0</b>                   |
| <b>MISSOURI</b>      | <b>2019</b>     | <b>0</b>                   |
|                      | <b>2020</b>     | <b>0</b>                   |
|                      | <b>2021</b>     | <b>0</b>                   |
| <b>MONTANA</b>       | <b>2019</b>     | <b>0</b>                   |
|                      | <b>2020</b>     | <b>0</b>                   |
|                      | <b>2021</b>     | <b>0</b>                   |

## Franchise Disclosure Document

| <b>Column 1</b>       | <b>Column 2</b> | <b>Column 3</b>            |
|-----------------------|-----------------|----------------------------|
| <b>State</b>          | <b>Year</b>     | <b>Number of Transfers</b> |
| <b>NEBRASKA</b>       | <b>2019</b>     | <b>0</b>                   |
|                       | <b>2020</b>     | <b>0</b>                   |
|                       | <b>2021</b>     | <b>0</b>                   |
| <b>NEVADA</b>         | <b>2019</b>     | <b>1</b>                   |
|                       | <b>2020</b>     | <b>0</b>                   |
|                       | <b>2021</b>     | <b>0</b>                   |
| <b>NEW HAMPSHIRE</b>  | <b>2019</b>     | <b>0</b>                   |
|                       | <b>2020</b>     | <b>0</b>                   |
|                       | <b>2021</b>     | <b>0</b>                   |
| <b>NEW JERSEY</b>     | <b>2019</b>     | <b>0</b>                   |
|                       | <b>2020</b>     | <b>0</b>                   |
|                       | <b>2021</b>     | <b>0</b>                   |
| <b>NEW MEXICO</b>     | <b>2019</b>     | <b>0</b>                   |
|                       | <b>2020</b>     | <b>0</b>                   |
|                       | <b>2021</b>     | <b>0</b>                   |
| <b>NEW YORK</b>       | <b>2019</b>     | <b>0</b>                   |
|                       | <b>2020</b>     | <b>0</b>                   |
|                       | <b>2021</b>     | <b>0</b>                   |
| <b>NORTH CAROLINA</b> | <b>2019</b>     | <b>0</b>                   |
|                       | <b>2020</b>     | <b>0</b>                   |
|                       | <b>2021</b>     | <b>0</b>                   |

## Franchise Disclosure Document

| <b>Column 1</b>       | <b>Column 2</b> | <b>Column 3</b>            |
|-----------------------|-----------------|----------------------------|
| <b>State</b>          | <b>Year</b>     | <b>Number of Transfers</b> |
| <b>NORTH DAKOTA</b>   | <b>2019</b>     | <b>0</b>                   |
|                       | <b>2020</b>     | <b>0</b>                   |
|                       | <b>2021</b>     | <b>0</b>                   |
| <b>OHIO</b>           | <b>2019</b>     | <b>0</b>                   |
|                       | <b>2020</b>     | <b>0</b>                   |
|                       | <b>2021</b>     | <b>0</b>                   |
| <b>OKLAHOMA</b>       | <b>2019</b>     | <b>0</b>                   |
|                       | <b>2020</b>     | <b>0</b>                   |
|                       | <b>2021</b>     | <b>0</b>                   |
| <b>OREGON</b>         | <b>2019</b>     | <b>0</b>                   |
|                       | <b>2020</b>     | <b>0</b>                   |
|                       | <b>2021</b>     | <b>0</b>                   |
| <b>PENNSYLVANIA</b>   | <b>2019</b>     | <b>0</b>                   |
|                       | <b>2020</b>     | <b>0</b>                   |
|                       | <b>2021</b>     | <b>0</b>                   |
| <b>RHODE ISLAND</b>   | <b>2019</b>     | <b>0</b>                   |
|                       | <b>2020</b>     | <b>0</b>                   |
|                       | <b>2021</b>     | <b>0</b>                   |
| <b>SOUTH CAROLINA</b> | <b>2019</b>     | <b>0</b>                   |
|                       | <b>2020</b>     | <b>0</b>                   |
|                       | <b>2021</b>     | <b>0</b>                   |

## Franchise Disclosure Document

| <b>Column 1</b>     | <b>Column 2</b> | <b>Column 3</b>            |
|---------------------|-----------------|----------------------------|
| <b>State</b>        | <b>Year</b>     | <b>Number of Transfers</b> |
| <b>SOUTH DAKOTA</b> | <b>2019</b>     | <b>0</b>                   |
|                     | <b>2020</b>     | <b>0</b>                   |
|                     | <b>2021</b>     | <b>0</b>                   |
| <b>TENNESSEE</b>    | <b>2019</b>     | <b>0</b>                   |
|                     | <b>2020</b>     | <b>0</b>                   |
|                     | <b>2021</b>     | <b>0</b>                   |
| <b>TEXAS</b>        | <b>2019</b>     | <b>1</b>                   |
|                     | <b>2020</b>     | <b>0</b>                   |
|                     | <b>2021</b>     | <b>0</b>                   |
| <b>UTAH</b>         | <b>2019</b>     | <b>0</b>                   |
|                     | <b>2020</b>     | <b>0</b>                   |
|                     | <b>2021</b>     | <b>0</b>                   |
| <b>VERMONT</b>      | <b>2019</b>     | <b>0</b>                   |
|                     | <b>2020</b>     | <b>0</b>                   |
|                     | <b>2021</b>     | <b>0</b>                   |
| <b>VIRGINIA</b>     | <b>2019</b>     | <b>0</b>                   |
|                     | <b>2020</b>     | <b>0</b>                   |
|                     | <b>2021</b>     | <b>1</b>                   |
| <b>WASHINGTON</b>   | <b>2019</b>     | <b>0</b>                   |
|                     | <b>2020</b>     | <b>1</b>                   |
|                     | <b>2021</b>     | <b>0</b>                   |



## Franchise Disclosure Document

| <b>Column 1</b>                                | <b>Column 2</b> | <b>Column 3</b>            |
|------------------------------------------------|-----------------|----------------------------|
| <b>State</b>                                   | <b>Year</b>     | <b>Number of Transfers</b> |
| <b>WEST VIRGINIA</b>                           | <b>2019</b>     | <b>0</b>                   |
|                                                | <b>2020</b>     | <b>0</b>                   |
|                                                | <b>2021</b>     | <b>0</b>                   |
| <b>WISCONSIN</b>                               | <b>2019</b>     | <b>0</b>                   |
|                                                | <b>2020</b>     | <b>0</b>                   |
|                                                | <b>2021</b>     | <b>0</b>                   |
| <b>WYOMING</b>                                 | <b>2019</b>     | <b>0</b>                   |
|                                                | <b>2020</b>     | <b>0</b>                   |
|                                                | <b>2021</b>     | <b>0</b>                   |
| <b>PUERTO RICO</b>                             | <b>2019</b>     | <b>0</b>                   |
|                                                | <b>2020</b>     | <b>0</b>                   |
|                                                | <b>2021</b>     | <b>0</b>                   |
| <b>U. S. VIRGIN ISLANDS</b>                    | <b>2019</b>     | <b>0</b>                   |
|                                                | <b>2020</b>     | <b>0</b>                   |
|                                                | <b>2021</b>     | <b>0</b>                   |
| <b>OTHER U. S. TERRITORIES AND POSSESSIONS</b> | <b>2019</b>     | <b>0</b>                   |
|                                                | <b>2020</b>     | <b>0</b>                   |
|                                                | <b>2021</b>     | <b>0</b>                   |
| <b>AUSTRALIA</b>                               | <b>2019</b>     | <b>0</b>                   |
|                                                | <b>2020</b>     | <b>0</b>                   |
|                                                | <b>2021</b>     | <b>0</b>                   |

Franchise Disclosure Document

|               |             |          |
|---------------|-------------|----------|
| <b>CANADA</b> | <b>2019</b> | <b>0</b> |
|               | <b>2020</b> | <b>0</b> |
|               | <b>2021</b> | <b>0</b> |
| <b>TOTAL</b>  | <b>2019</b> | <b>3</b> |
|               | <b>2020</b> | <b>3</b> |
|               | <b>2021</b> | <b>3</b> |

**Table 3**  
**Status of Franchised Outlets**  
**For Years 2019/2020/2021**

| <b>Column 1</b>   | <b>Column 2</b> | <b>Column 3</b>                 | <b>Column 4</b>       | <b>Column 5</b>     | <b>Column 6</b>     | <b>Column 7</b>                 | <b>Column 8</b>                          | <b>Column 9</b>                   |
|-------------------|-----------------|---------------------------------|-----------------------|---------------------|---------------------|---------------------------------|------------------------------------------|-----------------------------------|
| <b>State</b>      | <b>Year</b>     | <b>Outlets at Start of Year</b> | <b>Outlets Opened</b> | <b>Terminations</b> | <b>Non-Renewals</b> | <b>Reacquired by Franchisor</b> | <b>Ceased Operations - Other Reasons</b> | <b>Outlets at End of the Year</b> |
| <b>ALABAMA</b>    | <b>2019</b>     | <b>5</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>5</b>                          |
|                   | <b>2020</b>     | <b>5</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>5</b>                          |
|                   | <b>2021</b>     | <b>5</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>5</b>                          |
| <b>ALASKA</b>     | <b>2019</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
|                   | <b>2020</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
|                   | <b>2021</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
| <b>ARIZONA</b>    | <b>2019</b>     | <b>28</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>28</b>                         |
|                   | <b>2020</b>     | <b>28</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>28</b>                         |
|                   | <b>2021</b>     | <b>28</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>28</b>                         |
| <b>ARKANSAS</b>   | <b>2019</b>     | <b>4</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>4</b>                          |
|                   | <b>2020</b>     | <b>4</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>4</b>                          |
|                   | <b>2021</b>     | <b>4</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>4</b>                          |
| <b>CALIFORNIA</b> | <b>2019</b>     | <b>30</b>                       | <b>6</b>              | <b>1</b>            | <b>0</b>            | <b>0</b>                        | <b>1</b>                                 | <b>34</b>                         |
|                   | <b>2020</b>     | <b>34</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>34</b>                         |
|                   | <b>2021</b>     | <b>34</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>34</b>                         |
| <b>COLORADO</b>   | <b>2019</b>     | <b>2</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>2</b>                          |

## Franchise Disclosure Document

| <b>Column 1</b>             | <b>Column 2</b> | <b>Column 3</b>                 | <b>Column 4</b>       | <b>Column 5</b>     | <b>Column 6</b>     | <b>Column 7</b>                 | <b>Column 8</b>                          | <b>Column 9</b>                   |
|-----------------------------|-----------------|---------------------------------|-----------------------|---------------------|---------------------|---------------------------------|------------------------------------------|-----------------------------------|
| <b>State</b>                | <b>Year</b>     | <b>Outlets at Start of Year</b> | <b>Outlets Opened</b> | <b>Terminations</b> | <b>Non-Renewals</b> | <b>Reacquired by Franchisor</b> | <b>Ceased Operations - Other Reasons</b> | <b>Outlets at End of the Year</b> |
|                             | <b>2020</b>     | <b>2</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>2</b>                          |
|                             | <b>2021</b>     | <b>2</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>2</b>                          |
|                             | <b>2022</b>     | <b>2</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>2</b>                          |
| <b>CONNECTICUT</b>          | <b>2019</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
|                             | <b>2020</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
|                             | <b>2021</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
| <b>DELAWARE</b>             | <b>2019</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
|                             | <b>2020</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
|                             | <b>2021</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
| <b>DISTRICT OF COLUMBIA</b> | <b>2019</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
|                             | <b>2020</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
|                             | <b>2021</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
| <b>FLORIDA</b>              | <b>2019</b>     | <b>23</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>23</b>                         |
|                             | <b>2020</b>     | <b>23</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>23</b>                         |
|                             | <b>2021</b>     | <b>23</b>                       | <b>0</b>              | <b>2</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>21</b>                         |
| <b>GEORGIA</b>              | <b>2019</b>     | <b>7</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>7</b>                          |
|                             | <b>2020</b>     | <b>7</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>7</b>                          |
|                             | <b>2021</b>     | <b>7</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>7</b>                          |
| <b>HAWAII</b>               | <b>2019</b>     | <b>6</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>6</b>                          |
|                             | <b>2020</b>     | <b>6</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>6</b>                          |
|                             | <b>2021</b>     | <b>6</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>6</b>                          |
| <b>IDAHO</b>                | <b>2019</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
|                             | <b>2020</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |

## Franchise Disclosure Document

| Column 1  | Column 2 | Column 3                 | Column 4       | Column 5     | Column 6     | Column 7                 | Column 8                          | Column 9                   |
|-----------|----------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| State     | Year     | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets at End of the Year |
|           | 2021     | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
| ILLINOIS  | 2019     | 3                        | 0              | 0            | 0            | 0                        | 0                                 | 3                          |
|           | 2020     | 3                        | 0              | 0            | 0            | 0                        | 0                                 | 3                          |
|           | 2021     | 3                        | 0              | 0            | 0            | 0                        | 0                                 | 3                          |
| INDIANA   | 2019     | 12                       | 0              | 0            | 0            | 0                        | 0                                 | 12                         |
|           | 2020     | 12                       | 0              | 0            | 0            | 0                        | 0                                 | 12                         |
|           | 2021     | 12                       | 0              | 0            | 0            | 0                        | 0                                 | 12                         |
| IOWA      | 2019     | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|           | 2020     | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|           | 2021     | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
| KANSAS    | 2019     | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
|           | 2020     | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
|           | 2021     | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
| KENTUCKY  | 2019     | 2                        | 0              | 0            | 0            | 0                        | 0                                 | 2                          |
|           | 2020     | 2                        | 0              | 0            | 0            | 0                        | 0                                 | 2                          |
|           | 2021     | 2                        | 0              | 0            | 0            | 0                        | 0                                 | 2                          |
| LOUISIANA | 2019     | 16                       | 0              | 0            | 0            | 0                        | 0                                 | 16                         |
|           | 2020     | 16                       | 0              | 0            | 0            | 0                        | 0                                 | 16                         |
|           | 2021     | 16                       | 0              | 0            | 0            | 0                        | 0                                 | 16                         |
| MAINE     | 2019     | 3                        | 0              | 0            | 0            | 0                        | 0                                 | 3                          |
|           | 2020     | 3                        | 0              | 0            | 0            | 0                        | 0                                 | 3                          |
|           | 2021     | 3                        | 0              | 0            | 0            | 0                        | 0                                 | 3                          |

## Franchise Disclosure Document

| <b>Column 1</b>      | <b>Column 2</b> | <b>Column 3</b>                 | <b>Column 4</b>       | <b>Column 5</b>     | <b>Column 6</b>     | <b>Column 7</b>                 | <b>Column 8</b>                          | <b>Column 9</b>                   |
|----------------------|-----------------|---------------------------------|-----------------------|---------------------|---------------------|---------------------------------|------------------------------------------|-----------------------------------|
| <b>State</b>         | <b>Year</b>     | <b>Outlets at Start of Year</b> | <b>Outlets Opened</b> | <b>Terminations</b> | <b>Non-Renewals</b> | <b>Reacquired by Franchisor</b> | <b>Ceased Operations - Other Reasons</b> | <b>Outlets at End of the Year</b> |
| <b>MARYLAND</b>      | <b>2019</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
|                      | <b>2020</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
|                      | <b>2021</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
| <b>MASSACHUSETTS</b> | <b>2019</b>     | <b>20</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>20</b>                         |
|                      | <b>2020</b>     | <b>20</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>20</b>                         |
|                      | <b>2021</b>     | <b>20</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>20</b>                         |
| <b>MICHIGAN</b>      | <b>2019</b>     | <b>11</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>11</b>                         |
|                      | <b>2020</b>     | <b>11</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>11</b>                         |
|                      | <b>2021</b>     | <b>11</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>11</b>                         |
| <b>MINNESOTA</b>     | <b>2019</b>     | <b>13</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>13</b>                         |
|                      | <b>2020</b>     | <b>13</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>13</b>                         |
|                      | <b>2021</b>     | <b>13</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>13</b>                         |
| <b>MISSISSIPPI</b>   | <b>2019</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
|                      | <b>2020</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
|                      | <b>2021</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
| <b>MISSOURI</b>      | <b>2019</b>     | <b>21</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>21</b>                         |
|                      | <b>2020</b>     | <b>21</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>21</b>                         |
|                      | <b>2021</b>     | <b>21</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>2</b>                                 | <b>19</b>                         |
| <b>MONTANA</b>       | <b>2019</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
|                      | <b>2020</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
|                      | <b>2021</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |

## Franchise Disclosure Document

| <b>Column 1</b>       | <b>Column 2</b> | <b>Column 3</b>                 | <b>Column 4</b>       | <b>Column 5</b>     | <b>Column 6</b>     | <b>Column 7</b>                 | <b>Column 8</b>                          | <b>Column 9</b>                   |
|-----------------------|-----------------|---------------------------------|-----------------------|---------------------|---------------------|---------------------------------|------------------------------------------|-----------------------------------|
| <b>State</b>          | <b>Year</b>     | <b>Outlets at Start of Year</b> | <b>Outlets Opened</b> | <b>Terminations</b> | <b>Non-Renewals</b> | <b>Reacquired by Franchisor</b> | <b>Ceased Operations - Other Reasons</b> | <b>Outlets at End of the Year</b> |
| <b>NEBRASKA</b>       | <b>2019</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
|                       | <b>2020</b>     | <b>1</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>1</b>                          |
|                       | <b>2021</b>     | <b>1</b>                        | <b>0</b>              | <b>1</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
| <b>NEVADA</b>         | <b>2019</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
|                       | <b>2020</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
|                       | <b>2021</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
| <b>NEW HAMPSHIRE</b>  | <b>2019</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
|                       | <b>2020</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
|                       | <b>2021</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
| <b>NEW JERSEY</b>     | <b>2019</b>     | <b>6</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>6</b>                          |
|                       | <b>2020</b>     | <b>6</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>6</b>                          |
|                       | <b>2021</b>     | <b>6</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>4</b>                                 | <b>2</b>                          |
| <b>NEW MEXICO</b>     | <b>2019</b>     | <b>9</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>9</b>                          |
|                       | <b>2020</b>     | <b>9</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>9</b>                          |
|                       | <b>2021</b>     | <b>9</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>9</b>                          |
| <b>NEW YORK</b>       | <b>2019</b>     | <b>34</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>34</b>                         |
|                       | <b>2020</b>     | <b>34</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>34</b>                         |
|                       | <b>2021</b>     | <b>34</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>34</b>                         |
| <b>NORTH CAROLINA</b> | <b>2019</b>     | <b>10</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>10</b>                         |
|                       | <b>2020</b>     | <b>10</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>10</b>                         |
|                       | <b>2021</b>     | <b>10</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>10</b>                         |

## Franchise Disclosure Document

| Column 1       | Column 2 | Column 3                 | Column 4       | Column 5     | Column 6     | Column 7                 | Column 8                          | Column 9                   |
|----------------|----------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| State          | Year     | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets at End of the Year |
| NORTH DAKOTA   | 2019     | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                | 2020     | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                | 2021     | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
| OHIO           | 2019     | 31                       | 0              | 0            | 0            | 0                        | 0                                 | 31                         |
|                | 2020     | 31                       | 0              | 0            | 0            | 0                        | 0                                 | 31                         |
|                | 2021     | 31                       | 0              | 0            | 0            | 0                        | 0                                 | 31                         |
| OKLAHOMA       | 2019     | 2                        | 0              | 0            | 0            | 0                        | 0                                 | 2                          |
|                | 2020     | 2                        | 0              | 0            | 0            | 0                        | 0                                 | 2                          |
|                | 2021     | 2                        | 0              | 0            | 0            | 0                        | 0                                 | 2                          |
| OREGON         | 2019     | 5                        | 0              | 0            | 0            | 0                        | 0                                 | 5                          |
|                | 2020     | 5                        | 0              | 0            | 0            | 0                        | 0                                 | 5                          |
|                | 2021     | 5                        | 0              | 0            | 0            | 0                        | 0                                 | 5                          |
| PENNSYLVANIA   | 2019     | 25                       | 0              | 0            | 0            | 0                        | 0                                 | 25                         |
|                | 2020     | 25                       | 0              | 0            | 0            | 0                        | 0                                 | 25                         |
|                | 2021     | 25                       | 0              | 0            | 0            | 0                        | 0                                 | 25                         |
| RHODE ISLAND   | 2019     | 4                        | 0              | 0            | 0            | 0                        | 0                                 | 4                          |
|                | 2020     | 4                        | 0              | 0            | 0            | 0                        | 0                                 | 4                          |
|                | 2021     | 4                        | 0              | 0            | 0            | 0                        | 0                                 | 4                          |
| SOUTH CAROLINA | 2019     | 9                        | 0              | 0            | 0            | 0                        | 0                                 | 9                          |
|                | 2020     | 9                        | 0              | 0            | 0            | 0                        | 0                                 | 9                          |
|                | 2021     | 9                        | 0              | 0            | 0            | 0                        | 0                                 | 9                          |



## Franchise Disclosure Document

| Column 1     | Column 2 | Column 3                 | Column 4       | Column 5     | Column 6     | Column 7                 | Column 8                          | Column 9                   |
|--------------|----------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| State        | Year     | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets at End of the Year |
| SOUTH DAKOTA | 2019     | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|              | 2020     | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|              | 2021     | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
| TENNESSEE    | 2019     | 6                        | 0              | 0            | 0            | 0                        | 0                                 | 6                          |
|              | 2020     | 6                        | 0              | 0            | 0            | 0                        | 0                                 | 6                          |
|              | 2021     | 6                        | 0              | 0            | 0            | 0                        | 0                                 | 6                          |
| TEXAS        | 2019     | 40                       | 0              | 0            | 0            | 0                        | 0                                 | 40                         |
|              | 2020     | 40                       | 0              | 0            | 0            | 0                        | 0                                 | 40                         |
|              | 2021     | 40                       | 0              | 0            | 0            | 0                        | 0                                 | 40                         |
| UTAH         | 2019     | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
|              | 2020     | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
|              | 2021     | 1                        | 0              | 1            | 0            | 0                        | 0                                 | 0                          |
| VERMONT      | 2019     | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|              | 2020     | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|              | 2021     | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
| VIRGINIA     | 2019     | 13                       | 0              | 0            | 0            | 0                        | 0                                 | 13                         |
|              | 2020     | 13                       | 0              | 0            | 0            | 0                        | 0                                 | 13                         |
|              | 2021     | 13                       | 0              | 0            | 0            | 0                        | 0                                 | 13                         |
| WASHINGTON   | 2019     | 22                       | 0              | 0            | 0            | 0                        | 0                                 | 22                         |
|              | 2020     | 22                       | 0              | 0            | 0            | 0                        | 0                                 | 22                         |
|              | 2021     | 22                       | 0              | 0            | 0            | 0                        | 0                                 | 22                         |

## Franchise Disclosure Document

| <b>Column 1</b>      | <b>Column 2</b> | <b>Column 3</b>                 | <b>Column 4</b>       | <b>Column 5</b>     | <b>Column 6</b>     | <b>Column 7</b>                 | <b>Column 8</b>                          | <b>Column 9</b>                   |
|----------------------|-----------------|---------------------------------|-----------------------|---------------------|---------------------|---------------------------------|------------------------------------------|-----------------------------------|
| <b>State</b>         | <b>Year</b>     | <b>Outlets at Start of Year</b> | <b>Outlets Opened</b> | <b>Terminations</b> | <b>Non-Renewals</b> | <b>Reacquired by Franchisor</b> | <b>Ceased Operations - Other Reasons</b> | <b>Outlets at End of the Year</b> |
| <b>WEST VIRGINIA</b> | <b>2019</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
|                      | <b>2020</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
|                      | <b>2021</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
| <b>WISCONSIN</b>     | <b>2019</b>     | <b>10</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>10</b>                         |
|                      | <b>2020</b>     | <b>10</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>10</b>                         |
|                      | <b>2021</b>     | <b>10</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>10</b>                         |
| <b>WYOMING</b>       | <b>2019</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
|                      | <b>2020</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
|                      | <b>2021</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
| <b>AUSTRALIA</b>     | <b>2019</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
|                      | <b>2020</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
|                      | <b>2021</b>     | <b>0</b>                        | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>0</b>                          |
| <b>CANADA</b>        | <b>2019</b>     | <b>40</b>                       | <b>0</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>40</b>                         |
|                      | <b>2020</b>     | <b>40</b>                       | <b>4</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>44</b>                         |
|                      | <b>2021</b>     | <b>40</b>                       | <b>1</b>              | <b>0</b>            | <b>0</b>            | <b>0</b>                        | <b>0</b>                                 | <b>45</b>                         |

## Franchise Disclosure Document

|                                                |             |            |          |          |          |          |          |            |
|------------------------------------------------|-------------|------------|----------|----------|----------|----------|----------|------------|
| <b>PUERTO RICO</b>                             | <b>2019</b> | <b>0</b>   | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>   |
|                                                | <b>2020</b> | <b>0</b>   | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>   |
|                                                | <b>2021</b> | <b>0</b>   | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>   |
| <b>U. S. VIRGIN ISLANDS</b>                    | <b>2019</b> | <b>0</b>   | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>   |
|                                                | <b>2020</b> | <b>0</b>   | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>   |
|                                                | <b>2021</b> | <b>0</b>   | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>   |
| <b>OTHER U. S. TERRITORIES AND POSSESSIONS</b> | <b>2019</b> | <b>0</b>   | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>   |
|                                                | <b>2020</b> | <b>0</b>   | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>   |
|                                                | <b>2021</b> | <b>0</b>   | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>   |
| <b>Totals</b>                                  | <b>2019</b> | <b>480</b> | <b>6</b> | <b>1</b> | <b>0</b> | <b>0</b> | <b>7</b> | <b>478</b> |
|                                                | <b>2020</b> | <b>478</b> | <b>4</b> | <b>3</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>479</b> |
|                                                | <b>2021</b> | <b>479</b> | <b>1</b> | <b>1</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>479</b> |

**Table 4**  
**Status of Company-Owned Outlets**  
**For Years 2019/2020/2021**

| <b>Column 1</b>  | <b>Column 2</b> | <b>Column 3</b>                     | <b>Column 4</b>           | <b>Column 5</b>                                        | <b>Column 6</b>           | <b>Column 7</b>                            | <b>Column 8</b>                           |
|------------------|-----------------|-------------------------------------|---------------------------|--------------------------------------------------------|---------------------------|--------------------------------------------|-------------------------------------------|
| <b>State</b>     | <b>Year</b>     | <b>Outlets at<br/>Start of Year</b> | <b>Outlets<br/>Opened</b> | <b>Outlets<br/>Reacquired<br/>From<br/>Franchisees</b> | <b>Outlets<br/>Closed</b> | <b>Outlets<br/>Sold to<br/>Franchisees</b> | <b>Outlets at<br/>End of the<br/>Year</b> |
| <b>Louisiana</b> | <b>2019</b>     | <b>7</b>                            | <b>0</b>                  | <b>0</b>                                               | <b>0</b>                  | <b>0</b>                                   | <b>7</b>                                  |
|                  | <b>2020</b>     | <b>7</b>                            | <b>0</b>                  | <b>0</b>                                               | <b>0</b>                  | <b>0</b>                                   | <b>7</b>                                  |
|                  | <b>2021</b>     | <b>7</b>                            | <b>0</b>                  | <b>0</b>                                               | <b>0</b>                  | <b>0</b>                                   | <b>7</b>                                  |

**Table 5**  
**Projected Openings as of December 31, 2021**

| <b>Column 1</b>         | <b>Column 2</b>                                                      | <b>Column 3</b>                                                         | <b>Column 4</b>                                                                  |
|-------------------------|----------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| <b>State</b>            | <b>Franchise<br/>Agreements Signed<br/>But Outlet Not<br/>Opened</b> | <b>Projected New<br/>Franchised Outlets in<br/>the Next Fiscal Year</b> | <b>Projected New<br/>Company – Owned<br/>Outlets In the Next<br/>Fiscal Year</b> |
| ALABAMA                 | 0                                                                    | 2                                                                       | 0                                                                                |
| ALASKA                  | 0                                                                    | 0                                                                       | 0                                                                                |
| ARIZONA                 | 0                                                                    | 0                                                                       | 0                                                                                |
| ARKANSAS                | 0                                                                    | 0                                                                       | 0                                                                                |
| CALIFORNIA              | 0                                                                    | 0                                                                       | 0                                                                                |
| COLORADO                | 0                                                                    | 0                                                                       | 0                                                                                |
| CONNECTICUT             | 0                                                                    | 0                                                                       | 0                                                                                |
| DELAWARE                | 0                                                                    | 0                                                                       | 0                                                                                |
| DISTRICT OF<br>COLUMBIA | 0                                                                    | 0                                                                       | 0                                                                                |
| FLORIDA                 | 0                                                                    | 0                                                                       | 0                                                                                |
| GEORGIA                 | 0                                                                    | 0                                                                       | 0                                                                                |
| HAWAII                  | 0                                                                    | 0                                                                       | 0                                                                                |
| IDAHO                   | 1                                                                    | 0                                                                       | 0                                                                                |
| ILLINOIS                | 0                                                                    | 4                                                                       | 0                                                                                |
| INDIANA                 | 0                                                                    | 0                                                                       | 0                                                                                |
| IOWA                    | 0                                                                    | 0                                                                       | 0                                                                                |

| <b>Column 1</b>   | <b>Column 2</b>                                                      | <b>Column 3</b>                                                         | <b>Column 4</b>                                                                  |
|-------------------|----------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| <b>State</b>      | <b>Franchise<br/>Agreements Signed<br/>But Outlet Not<br/>Opened</b> | <b>Projected New<br/>Franchised Outlets in<br/>the Next Fiscal Year</b> | <b>Projected New<br/>Company – Owned<br/>Outlets In the Next<br/>Fiscal Year</b> |
| KANSAS            | 0                                                                    | 0                                                                       | 0                                                                                |
| KENTUCKY          | 0                                                                    | 0                                                                       | 0                                                                                |
| LOUISIANA         | 0                                                                    | 0                                                                       | 0                                                                                |
| MAINE             | 0                                                                    | 0                                                                       | 0                                                                                |
| MARYLAND          | 0                                                                    | 0                                                                       | 0                                                                                |
| MASSACHUSETTS     | 0                                                                    | 0                                                                       | 0                                                                                |
| MICHIGAN          | 0                                                                    | 0                                                                       | 0                                                                                |
| MINNESOTA         | 0                                                                    | 0                                                                       | 0                                                                                |
| MISSISSIPPI       | 0                                                                    | 0                                                                       | 0                                                                                |
| MISSOURI          | 0                                                                    | 0                                                                       | 0                                                                                |
| MONTANA           | 0                                                                    | 0                                                                       | 0                                                                                |
| NEBRASKA          | 0                                                                    | 1                                                                       | 0                                                                                |
| NEVADA            | 0                                                                    | 0                                                                       | 0                                                                                |
| NEW HAMPSHIRE     | 0                                                                    | 0                                                                       | 0                                                                                |
| NEW JERSEY        | 0                                                                    | 0                                                                       | 0                                                                                |
| NEW MEXICO        | 0                                                                    | 0                                                                       | 0                                                                                |
| NEW YORK          | 0                                                                    | 0                                                                       | 0                                                                                |
| NORTH<br>CAROLINA | 0                                                                    | 0                                                                       | 0                                                                                |
| NORTH DAKOTA      | 0                                                                    | 0                                                                       | 0                                                                                |
| OHIO              | 0                                                                    | 0                                                                       | 0                                                                                |
| OKLAHOMA          | 0                                                                    | 0                                                                       | 0                                                                                |

| <b>Column 1</b>                               | <b>Column 2</b>                                          | <b>Column 3</b>                                                 | <b>Column 4</b>                                                      |
|-----------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------|
| <b>State</b>                                  | <b>Franchise Agreements Signed But Outlet Not Opened</b> | <b>Projected New Franchised Outlets in the Next Fiscal Year</b> | <b>Projected New Company – Owned Outlets In the Next Fiscal Year</b> |
| <b>OREGON</b>                                 | <b>0</b>                                                 | <b>1</b>                                                        | <b>0</b>                                                             |
| <b>PENNSYLVANIA</b>                           | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>RHODE ISLAND</b>                           | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>SOUTH CAROLINA</b>                         | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>SOUTH DAKOTA</b>                           | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>TENNESSEE</b>                              | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>TEXAS</b>                                  | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>UTAH</b>                                   | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>VERMONT</b>                                | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>VIRGINIA</b>                               | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>WASHINGTON</b>                             | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>WEST VIRGINIA</b>                          | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>WISCONSIN</b>                              | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>WYOMING</b>                                | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>PUERTO RICO</b>                            | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>U. S. VIRGIN ISLANDS</b>                   | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>Australia</b>                              | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>Canada</b>                                 | <b>0</b>                                                 | <b>4</b>                                                        | <b>0</b>                                                             |
| <b>Other U.S. Territories and Possessions</b> | <b>0</b>                                                 | <b>0</b>                                                        | <b>0</b>                                                             |
| <b>Total</b>                                  | <b>1</b>                                                 | <b>12</b>                                                       | <b>0</b>                                                             |

A list of the names of all franchisees and their addresses and telephone numbers are listed on **Exhibit H** to this Disclosure Document. A list of the names, city and state, and last known telephone numbers of every franchisee who has had their franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during fiscal year 2021, or who has not communicated with us within 10 weeks of our application date, is attached on **Exhibit I**.

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

We have no current or former franchisees who have signed confidentiality clauses during the last three fiscal years which restrict their ability to speak openly about their experiences with Pop-A-Lock.

We do not know of any trademark-specific franchisee organization associated with the franchise system being offered, other than the franchisee “advisory capacity only” advertising council, currently composed of three franchisees that advise us on advertising policies and programs. This franchisee council is not formally incorporated and does not have a separate address and telephone number.

No independent franchisee organization has asked to be included in this Disclosure Document.



**ITEM 21**  
**FINANCIAL STATEMENTS**

As **Exhibit G**, we have attached our audited financial statements for the fiscal years 2019, 2020 and 2021.

**ITEM 22**  
**CONTRACTS**

The following are attached as Exhibits to the Franchise Disclosure Document: copies of all proposed agreements regarding the franchise, including, the Franchise Agreement, and any lease, option, and purchase agreements, and any waivers or releases the Franchisor requires as a condition of consenting to some future action including a transfer of the franchise.

- **Exhibit C** - Franchise Agreement
- **Exhibit D** - Form of General Release

**ITEM 23**  
**RECEIPTS**

The document by which you will acknowledge receipt of this Disclosure Document is attached to this Disclosure Document as **Exhibit K**. The issue date of this Disclosure Document is not the date in which the Document is effective. Effective Dates are listed on page iii of the Disclosure Document.

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**EXHIBIT A****FEDERAL AND STATE FRANCHISE ADMINISTRATORS  
AND REGULATORY AUTHORITIES**

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

|                                                                                                                                                                                                                                                              |                                                                                                                                                                                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CALIFORNIA</b><br>Department of Financial Protection and Innovation<br>2101 Arena Boulevard<br>Sacramento, CA 95834<br>(866) 275-2677 (toll free)                                                                                                         | <b>MARYLAND</b><br>Office of the Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2020<br>(410) 576-6360                              |
| <b>HAWAII</b><br>Commissioner of Securities of the State of Hawaii<br>Department of Commerce & Consumer Affairs<br>Business Regulation Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722 | <b>MICHIGAN</b><br>Consumer Protection Div., Franchise Section<br>Attn: Kathryn A. Barron<br>670 G. Mennen Williams Building<br>Lansing, Michigan 48913<br>(517) 373-7117       |
| <b>ILLINOIS</b><br>Franchise Division<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465                                                                                                                                            | <b>MINNESOTA</b><br>Commissioner of Commerce<br>Department of Commerce<br>85 7 <sup>th</sup> Place East, Suite 500<br>St. Paul, Minnesota 55101<br>(651) 296-4026               |
| <b>INDIANA</b><br>Secretary of State<br>Franchise Section<br>302 West Washington, Room E-111<br>Indianapolis, Indiana 46204<br>(317) 232-6681                                                                                                                | <b>NEW YORK</b><br>NYS Department of Law<br>Investor Protection Bureau<br>28 Liberty St. 21st Fl<br>New York, New York 10005<br>(212) 416-8222                                  |
| <b>NORTH DAKOTA</b><br>North Dakota Securities Department<br>600 Boulevard Avenue, State Capitol<br>Fifth Floor, Dept. 414<br>Bismarck, North Dakota 58505-0510<br>(701) 328-4712                                                                            | <b>VIRGINIA</b><br>State Corporation Commission<br>Securities and Retail Franchising Division<br>1300 East Main Street, 9th Floor<br>Richmond, Virginia 23219<br>(804) 371-9051 |
| <b>RHODE ISLAND</b><br>Department of Business Regulation<br>Suite 232<br>233 Richmond Street<br>Providence, Rhode Island 02903-4232<br>(401) 277-3048                                                                                                        | <b>WASHINGTON</b><br>Department of Financial Institutions<br>Securities Division<br>PO Box 9033<br>Olympia, WA 98507<br>(360) 902-8760                                          |
| <b>SOUTH DAKOTA</b><br>Dept. of Labor & Regulation<br>Director of Division of Securities<br>124 S. Euclid, Suite 104<br>Pierre, South Dakota 57501-3185<br>(605) 773-4823                                                                                    | <b>WISCONSIN</b><br>Office of the Commissioner of Securities<br>201 West Washington Avenue,<br>Madison, Wisconsin 53703<br>(608) 261-9555                                       |

**EXHIBIT B****REGISTERED AGENTS**

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

|                                                                                                                                                                                                                                                              |                                                                                                                                                                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CALIFORNIA</b><br>Department of Financial Protection and Innovation<br>2101 Arena Boulevard<br>Sacramento, CA 95834<br>(866) 275-2677 (toll free)                                                                                                         | <b>MARYLAND</b><br>Maryland Securities Commissioner<br>200 St. Paul Place<br>Baltimore, Maryland 21202-2020<br>(410) 576-6360                                   |
| <b>HAWAII</b><br>Commissioner of Securities of the State of Hawaii<br>Department of Commerce & Consumer Affairs<br>Business Regulation Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813<br>(808) 586-2722 | <b>MICHIGAN</b><br>Dept. of Commerce, Corp'ns & Securities Bur.<br>6546 Mercantile Way<br>P.O. Box 30222<br>Lansing, Michigan 48910<br>(517) 373-7117           |
| <b>ILLINOIS</b><br>Illinois Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706<br>(217) 782-4465                                                                                                                                     | <b>MINNESOTA</b><br>Commissioner of Commerce<br>85 7 <sup>th</sup> Place East, Suite 500<br>St. Paul, Minnesota 55101<br>(612) 296-4026                         |
| <b>INDIANA</b><br>Indiana Secretary of State<br>201 State House<br>Indianapolis, Indiana 46204<br>(317) 232-6681                                                                                                                                             | <b>NEW YORK</b><br>New York State Department of State<br>Division of Corporations<br>99 Washington Avenue<br>Albany, New York 12231                             |
| <b>NORTH DAKOTA</b><br>North Dakota Securities Commissioner<br>600 Boulevard Avenue, State Capitol<br>Fifth Floor<br>Bismarck, North Dakota 58505-0510                                                                                                       | <b>VIRGINIA</b><br>Clerk of the State Corporation Commission<br>1300 East Main Street<br>Richmond, Virginia 23219<br>(804) 371-9733                             |
| <b>RHODE ISLAND</b><br>Director of Department of Business Regulation<br>Suite 232<br>233 Richmond Street<br>Providence, Rhode Island 02903-4232<br>(401) 277-3048                                                                                            | <b>WASHINGTON</b><br>Director of Department of Financial Institutions<br>150 Israel Road, 3 <sup>rd</sup> Floor<br>Tumwater, Washington 98501<br>(360) 902-8760 |
| <b>SOUTH DAKOTA</b><br>Dept. of Labor & Regulation<br>Director of Division of Securities<br>124 S. Euclid, Suite 104<br>Pierre, South Dakota 57501-3185<br>(605) 773-3563                                                                                    | <b>WISCONSIN</b><br>Commissioner of Securities<br>201 West Washington Avenue,<br>Madison, Wisconsin 53703<br>(608) 261-9555                                     |

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

## **FRANCHISE AGREEMENT**

This Franchise Agreement ("Agreement") is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Effective Date") by and between **SystemForward America, LLC**, a **Louisiana limited liability company**, with its principal place of business at **1018 Harding Street, Suite 101, Lafayette, Louisiana 70503** (hereinafter "Franchisor"), and  
Name: \_\_\_\_\_  
Legal Status: \_\_\_\_\_  
Address: \_\_\_\_\_  
(hereinafter "Franchisee").

### **RECITALS**

WHEREAS, Franchisor owns or has the right to license certain trademarks, service marks, copyrights, trade secrets, trade names, and related insignia (the "Licensed Marks") and has developed and owns a system for offering locksmith and security services, car door unlocking, roadside assistance, including management and administrative systems, marketing and advertising programs, effective and efficient car door unlocking techniques, personnel training, equipment guidelines, the Licensed Marks, including the service mark "Pop-A-Lock a Car Door Unlocking Service<sup>®</sup>" and certain other elements, all of which constitute part of the Pop-A-Lock a Car Door Unlocking Service<sup>®</sup>, locksmith and roadside assistance services system(s) (the "Pop-A-Lock System").

WHEREAS, Franchisor is developing a national and international network of independent franchisees to which it will license the Pop-A-Lock System.

WHEREAS, Franchisee has investigated and become familiar with the Pop-A-Lock System, and desires, upon the terms and conditions set forth herein, to obtain a license to operate a business which will utilize the Licensed Marks and the Pop-A-Lock System (the "Franchised Business"). Franchisor is willing, upon the terms and conditions set forth herein, to license Franchisee the right to operate the Franchised Business.

WHEREAS, Franchisee understands the vital importance to Franchisor and all members of the Pop-A-Lock a Car Door Unlocking Service<sup>®</sup>, roadside assistance and locksmith services system(s) family of companies, including Franchisees, as well as the public, of the constant maintenance of high and uniform standards of quality, appearance, and service and the necessity of opening and continuously operating Franchisee's Pop-A-Lock franchise in conformity with all aspects of the Pop-A-Lock System as it may be modified from time to time.

IN CONSIDERATION of the above recitals and of the terms and conditions and mutual promises herein, Franchisor and Franchisee agree as follows:

## **1.00 GRANT OF FRANCHISE**

- 1.01 Grant. Franchisor grants and conveys to Franchisee, subject to all of the terms and conditions of this Agreement, the exclusive right and license to operate a Pop-A-Lock Franchise, the ("Franchised Business") in conformity with the Pop-A-Lock System, in the geographic area (hereinafter designated the "Franchise Area") described in Article 1.03 below, and to use the Licensed Marks, so long as this Agreement is in full force and effect. Franchisee shall only service the Franchise Area, unless otherwise specifically authorized, in writing, by Franchisor. The rights and privileges granted to Franchisee under this Agreement are applicable only to the Franchise Area, are personal in nature, and may not be used in any other geographic location by Franchisee.
- 1.02 Initial Franchise Fee. Franchisee shall pay to Franchisor with certified funds, contemporaneously with the signing of this Agreement, the initial franchise fee of \$\_\_\_\_\_ USD. Initial Franchise Fee is fully earned when paid and nonrefundable.
- 1.03 Franchise Area. The Franchise Area referred to in Article 1.01 above is defined as:
- 
- 1.04 Required Services, Authorized Services and Required Additional Services. The Pop-A-Lock System currently consists of four required services: (i) locksmith and security services ("Required Services"), (ii) vehicle locksmith services, (iii) car door unlocking services, (iv) emergency roadside assistance, and mobile services. Franchisor may also authorize Franchisee to offer other security and other services authorized by Franchisor, from time to time ("Authorized Services"). However, Franchisor reserves the right to require Franchisee to offer other additional services compatible with the Pop-A-Lock System which Franchisor may authorize in the future (hereinafter "Required Additional Services"). Franchisor shall exercise this right by notifying Franchisee in writing describing the Required Additional Services. (The above requirement to offer residential and commercial locksmith services is a written notification of required additional services.) Franchisee shall, as soon as practicable under the circumstances, but not more than ninety (90) days from receipt of the notice, secure all training, equipment, tools, inventory, and personnel necessary to offer the Required Additional Services in full compliance with the standards established by Franchisor. Franchisee must purchase from Franchisor, or other Franchisor designated sources, the Pop-A-Lock computer system which may contain proprietary and other software specified by Franchisor. Franchisee shall obtain locksmith training from an approved locksmith school, an independent approved locksmith trainer or from Franchisor, as designated from time to time by Franchisor.

As part of performing car door unlocking services, you will be required to participate in our PAL Saves Kids ("PAL") Program. The PAL Program requires that you provide such emergency car door unlocking free of charge when it involves a child locked inside the

vehicle being unlocked (or if human life is in danger). The PAL Program is a free public service offered to communities, emergency service providers, and roadside assistance companies.

- 1.05 Franchisor's Reservation of Rights. Franchisee expressly acknowledges and agrees that Franchisor may itself operate and grant to others the right to operate within the Franchise Area any business not utilizing the Licensed Marks and not offering the Required Services or Required Additional Services. In addition, Franchisee acknowledges and agrees that Franchisor may itself operate and grant to others the right to operate Pop-A-Lock Franchises at any location other than the Franchise Area. In the event Franchisor has reason to believe that Franchisee is not adequately providing any one or more of the Authorized Services required by Franchisor in the Franchise Area, Franchisor may itself operate or grant to others the right to perform such Authorized Service(s) not being adequately provided by such Franchisee in such Franchise Area without waiving Franchisor's right to terminate this Franchise Agreement as provided in this Agreement. Additionally, in the event Franchisee is not currently providing an Authorized Service (which is not otherwise required by Franchisor to be provided) in the Franchise Area, Franchisor may itself operate or grant to others the right to perform such Authorized Service(s) not then being provided by such Franchisee in such Franchise Area.
- 1.06 Franchise Area Adjustment. Franchisee agrees to allow Franchisor its designee to directly manipulate any mapping related to Pop-A-Lock services provided to ensure that coverage areas outlined in this Agreement are compliant with the Agreement. This includes third party software providers that the Franchisee may contract with to provide their call management services, including but not limited to Pulsar or any other future systems that Franchisor or Franchisee may decide to deploy.

Obligation to notify: Franchisees who receive requests for service in an area where they do not provide service, but is owned by an adjacent Franchisee will notify the customer that they do not provide service in that area and direct them at a minimum to the popalock.com website. Optimally, the Franchisee will provide the contact information for the other Franchise if logistically possible and safe to do at the time.

## **2.00 TERM AND RENEWAL**

- 2.01 Term. The term of this Agreement shall extend for a period of ten (10) years from the Effective Date, unless sooner terminated in accordance with Article 12 below.
- 2.02 Renewal. Franchisee may renew its franchise in additional ten (10) year increments subject to the following terms and conditions:
- (i) During the term of this Agreement, Franchisee shall not be or have been in default in the performance of any material obligation under this Agreement which has not been cured within thirty (30) days of written notification of such default by Franchisor, or Franchisee is not otherwise subject to immediate termination under Article 12.01 of this Agreement;

- (ii) Eighteen (18) months prior to the date of expiration of this Agreement, Franchisee shall provide Franchisor with written notice indicating its election to exercise its right to renew the franchise;
- (iii) So long as Franchisee is in compliance with (i) and (ii) above, within ninety (90) days prior to the expiration of the term of this Agreement, Franchisor shall submit to Franchisee the then-current Franchise Agreement being required of new franchisees which may contain terms and conditions substantially different from those contained herein, including without limitation, increased fees and duration of renewal terms, except that the renewal term shall not be less than ten (10) years, the royalty provided in Article 4.01 shall not exceed ten (10%) percent, and the advertising and marketing fee provided in Article 4.02 shall not exceed two (2%) percent. Franchisee shall not be required to pay any renewal franchise fees; and
- (iv) Franchisee must execute the new Franchise Agreement and return it to the Franchisor at least thirty (30) days prior to the commencement of the new ten (10) year term.

### **3.00 TRAINING AND OPERATING ASSISTANCE**

- 3.01 Franchisee's Training. Franchisor shall provide Franchisee and/or its Designated Manager a franchisee's orientation and training program at Franchisor's offices in Lafayette, Louisiana, at another training location specified by Franchisor or (at the option of Franchisor) at Franchisee's business location. The Franchisee's training program shall consist of instruction in the management and operation of a Pop-A-Lock franchise including, without limitation, marketing, communications systems, bookkeeping, and employer-employee relations (hereinafter "Franchisee's Training"). The Franchisee's Training is mandatory and shall have a minimum duration of four (4) days, commencing as soon as practicable after signing the Franchise Agreement and prior to the commencement of operations of the Franchised Business. Depending on the business, marketing and financial abilities of the owner, the Franchisee training may have a duration of five (5) days. Franchisor shall provide the Franchisee's Training without additional charge, except that Franchisee shall be responsible for its own transportation, meals and lodging expenses incurred in connection with attending the program at Franchisor's offices. In the event such training is conducted at Franchisee's business location or at a location other than Franchisor business location, Franchisee shall reimburse Franchisor for all transportation, meals, and lodging expenses incurred by Franchisor in connection with such training.
- 3.02 Technical Training. Franchisor shall provide a technical training program ("Pop-A-Lock Training Program") to Franchisee and its employees, each of whom must have executed the non-disclosure and non-competition agreements under Article 10.04 below prior to the commencement of training. The Pop-A-Lock Training Program includes instruction in (i) the techniques and methods established or adopted by Franchisor to unlock car doors, (ii) the proper use of opening tools prescribed for use by Franchisor, and (iii) procedures for performing roadside assistance. The Pop-A-Lock Training Program consists of a minimum of five (5) days at eight (8) hours per day and shall be conducted at Franchisor's training facility in Lafayette, Louisiana or at such other location as Franchisor may designate. Each



of Franchisee's employees who will perform car door unlocking service must successfully complete the Pop-A-Lock Training Program in accordance with Franchisor's standards. Franchisor shall provide the Pop-A-Lock Training Course at the cost of \$800.00 per trainee, for minimum five (5) days. Franchisor reserves the right to determine, in its sole discretion, the amount of training and/or time required for each trainee to acquire technical competency consistent with Franchisor's standards. Franchisee must bear its own travel and accommodation expenses associated with training. If Franchisor conducts the Pop-A-Lock Training Program at a location other than Franchisor's training facility, Franchisee shall reimburse Franchisor for reasonable and necessary travel, lodging, food, and associated expenses incurred by Franchisor or its employees.

3.03 Operating Assistance. Franchisor will provide Franchisee with operational and management counseling, as we deem helpful, during the term of this Agreement upon Franchisee's request. Franchisor will have ongoing access to Franchisee's accounting, invoice and other information stored on Franchisee's computers. Franchisor will revise and update annually (and at more frequent intervals if deemed necessary in Franchisor's discretion) all technical bulletins and/or technical manuals and provide same to Franchisee. In addition, Franchisor will advise Franchisee periodically regarding significant new developments, if any, applicable to the Pop-A-Lock System which may encompass the following:

- (i) Advice, guidance and/or training regarding new management techniques, procedures, standards, or methods;
- (ii) Advice, guidance and/or training regarding new service techniques, procedures, standards, methods and/or tools; or
- (iii) Advice or guidance with local advertising and marketing.

3.04 Equipment and Training - Locksmith Service. Franchisee must either hire or contract with individuals who have demonstrated skill in locksmith techniques or provide one or more employees with locksmith training. Franchisee must have at least one or more employees, who can perform and teach residential and commercial re-keying and lock picking. Franchisor may require, and may provide, locksmith training, as appropriate to obtain the skills and knowledge required to provide locksmith service(s). Franchisor estimates that locksmith training will take ten (10) days to complete and will cost \$2,100 (at a rate of \$210.00 per day) per locksmith trainee per day. Based on Franchisor's experience, this amount of training is necessary to provide an individual with sufficient training to perform automotive and light residential and commercial locksmithing services. If additional training is required for certification, licensing or acquiring of a locksmith permit in accordance with local, state or federal mandates, Franchisee is responsible for all costs and duties of acquiring such certifications, licenses or permits. Franchisor makes no guarantee or promise that any or all persons trained by Franchisor or Franchisor's designee will be capable of meeting local, state or federal standards for licensing, permit or certification. Locksmith training is customarily provided through locksmith schools or independent locksmith trainers. Franchisor will offer locksmith training to Franchisee, at its option, through a designated and approved locksmith school, an independent locksmith trainer or

through franchisor employees at a training facility. In addition, Franchisee will be required to equip the locksmith employees with locksmith equipment and inventory. Franchisor estimates the cost of locksmith equipment to be between fifteen thousand dollars (\$15,000.00) to twenty thousand dollars (\$20,000.00). The actual cost of this equipment will vary and depend on the degree of complexity of this service for your franchise, as we may occasionally permit you to perform locksmith service to a lesser degree or with a reduced inventory of machines, tools, equipment, supplies or stock so long as we are informed of exactly what services are to be rendered, what material resources will be available and what level of training the service provider has achieved and we give prior approval of the arrangement. The average Franchisee will spend approximately \$20,000 for locksmith equipment. Franchisor reserves the right to limit admission to locksmith service training as franchisor capacity and scheduling allows.

#### **4.00 RECURRING FEES**

- 4.01 Royalty. Franchisee shall pay to Franchisor monthly (by the last day of the month following the month in which the sales are made), a recurring royalty equal to seven percent (7%) of monthly Gross Sales on car door unlocking services, roadside services, vehicle locksmithing services, security services and other Authorized and Additional Required services. The manner in which such funds are remitted to Franchisor by Franchisee shall be prescribed by Franchisor from time to time in its Confidential Operations Manual.
- 4.02 Advertising and Marketing Fee. Franchisee shall pay to Franchisor a recurring advertising and marketing fee equal to one percent (1.0%) of monthly Gross Sales. Franchisee shall commence the payment of the advertising and marketing fee at the same time as the recurring royalty under Article 4.01. The advertising and marketing fee shall be expended in accordance with the terms of Article 8.04 hereof. In the event Franchisor owns a franchise location, Franchisor shall contribute as a franchisee to the Pop-A-Lock Advertising Fund as defined in Article 8.04 hereof with respect to said franchise location on the same basis. It is the intention of the parties that the cost of such programs shall be shared on a reasonably nondiscriminatory basis by all Pop-A-Lock Franchises, rather than for Franchisor to make a profit from these fees.
- 4.03 Late Fee. If any amount due under this Agreement is not paid within five (5) days after such payment is due, Franchisee shall pay a late penalty fee equal to the lesser of the daily equivalent of eighteen percent (18%) of such overdue amount per year (18% APR) or the highest rate then permitted by applicable law for each day such amount is past due.
- 4.04 Gross Sales. As used herein, "Gross Sales" shall mean the aggregate gross amount of all revenues from whatever source, including without limitation, cash, credit, agreements to pay, or other consideration (whether or not payment is received at the time of the sale) derived by Franchisee from (i) the sale of "Authorized Services" (including "Required Additional Services"), (ii) the sale of any services or products associated with the use of the Licensed Marks, and (iii) the sale of any services or products made in conjunction with the "Authorized Services" performed by Franchisee,

less sales or other tax receipts, the collection of which is required by law. The term "monthly Gross Sales" shall mean Gross Sales derived by Franchisee during a single calendar month.

- 4.05 Pre-Authorized Payments. The Franchisee shall participate in such pre-authorized payment plans, electronic funds transfer systems, automatic debiting systems or other similar plans or systems as the Franchisor may from time to time require to permit the Franchisee to make direct deposit payment of all amounts owing to the Franchisor. In order to participate in any such plans or systems, the Franchisee shall, at the Franchisee's cost, do all things necessary in order to implement and maintain such plans or systems including without limitation, executing and delivering any required authorization form within five (5) days of request from the Franchisor.

## 5.00 LICENSED MARKS

- 5.01 Ownership. Franchisee acknowledges that Franchisor is the sole owner of all the Licensed Marks, including the service mark *Pop-A-Lock Trusted Locksmith®*, *Pop-A-Lock A Car Door Unlocking Service®*, *The Security Professionals Site Security Solutions*, *Emergency Door Unlocking*, and such Licensed Marks shall remain the sole and exclusive property of Franchisor. Franchisee acknowledges that it has not acquired any ownership rights in the Licensed Marks except for the right to use such Licensed Marks in the operation of its Franchise, the use of which is specifically prescribed in the Confidential Franchise Operations System Manual. Franchisee shall not use any of the Licensed Marks in the legal name of its corporation, partnership, sole proprietorship, or any other business entity used in conducting the Franchised Business. (See 8.12 Naming Convention)
- 5.02 Termination of Rights. In the event this Franchise Agreement is terminated for any reason, Franchisee shall immediately cease using the Licensed Marks, and all rights the Franchisee had to use the same shall automatically terminate.
- 5.03 Covenant. Franchisee understands and agrees that any use of the Licensed Marks other than those expressly authorized by this Agreement, without Franchisor's prior written consent, may constitute an infringement of Franchisor's rights therein and that the right to use the Licensed Marks granted herein does not extend beyond the termination or expiration of this Agreement. Franchisee expressly covenants that, during the term of this Agreement and thereafter, Franchisee shall not, directly or indirectly, commit any act of infringement or contest or aid others in contesting the validity of Franchisor's right to use the Licensed Marks or take any other action in derogation thereof.
- 5.04 Report Unauthorized Use. Franchisee shall promptly notify Franchisor of any claim, demand, or cause of action that Franchisor may have based upon or arising from any unauthorized attempt by any person or legal entity to use the Licensed Marks, any colorable variation thereof, or any other mark, name, or indicia in which Franchisor has or claims a proprietary interest. Franchisee shall assist Franchisor, upon request and at Franchisor's expense, in taking such action, if any, as Franchisor may deem appropriate to halt such

activities, but shall take no action nor incur any expenses on Franchisor's behalf without Franchisor's prior written approval. If Franchisor undertakes the defense or prosecution of any litigation relating to the Licensed Marks, Franchisee agrees to execute any and all documents and to do such acts and things as may, in the opinion of Franchisor's legal counsel, be reasonably necessary to carry out such defense or prosecution.

- 5.05 Authorized Use. Franchisee further agrees and covenants to operate and advertise only under the names or marks from time to time designated by Franchisor for use by similar Pop-A-Lock System Franchisees; to adopt and use the Licensed Marks solely in the manner prescribed by Franchisor; to refrain from using the Licensed Marks to perform any activity or to incur any obligation or indebtedness in such a manner as may, in any way, subject Franchisor to liability therefore; to observe all laws with respect to the registration of trade names and assumed or fictitious names, to include in any application therefore a statement that Franchisee's use of the Licensed Marks is limited by the terms of this Agreement, and to provide Franchisor with a copy of any such application and other registration document(s); to observe such requirements with respect to trademark and service mark registrations and copyright notices as Franchisor may, from time to time, require, including, without limitation, affixing "SM", "TM", or "®" adjacent to all such Licensed Marks in any and all uses thereof; and, to utilize such other appropriate notice of ownership, registration, and copyright as Franchisor may require.
- 5.06 Changes. Franchisor reserves the right, in its sole discretion, to designate one or more new, modified, or replacement Licensed Marks for use by Franchisees and to require the use by Franchisee of any such new, modified, or replacement Licensed Marks in addition to or in lieu of any previously designated Licensed Marks. Any expenses or costs associated with the use by Franchisee of any such new, modified, or replacement Licensed Marks shall be the sole responsibility of Franchisee.

## **6.00 STANDARDS OF OPERATION**

- 6.01 Commencement of Operation and Market Operational Requirements. Franchisee shall commence full-time operation of the Franchised Business immediately after receipt of authorization to do so by Franchisor, or at such time as agreed to by Franchisor and Franchisee and continue to operate the Franchised Business on a full-time basis throughout the term of this Agreement except that operation of the Franchised Business may be excused in the interim during which such operations are prohibited by causes or conditions beyond Franchisee's control.

Franchisee agrees to have the following minimum number of vehicles and technicians:

- (a) At all times during the last (6) months of the first(1<sup>st</sup>) Agreement Year:  
       \_\_\_\_\_ vehicles,  
       \_\_\_\_\_ car door unlocking ("CDU") technicians, and  
       \_\_\_\_\_ locksmiths.
- (b) At all times during the second (2<sup>nd</sup>) Agreement Year:

\_\_\_\_ vehicles,  
 \_\_\_\_ car door unlocking ("CDU") technicians, and  
 \_\_\_\_ locksmiths.

(c) At all times during the third (3<sup>rd</sup>) Agreement Year:

\_\_\_\_ vehicles,  
 \_\_\_\_ car door unlocking ("CDU") technicians, and  
 \_\_\_\_ locksmiths.

(d) At all times during the fourth (4<sup>th</sup>) Agreement Year:

\_\_\_\_ vehicles,  
 \_\_\_\_ car door unlocking ("CDU") technicians, and  
 \_\_\_\_ locksmiths.

(e) At all times during the fifth (5<sup>th</sup>) Agreement Year, and in each and every year thereafter during the term of this Agreement:

\_\_\_\_ vehicles,  
 \_\_\_\_ car door unlocking ("CDU") technicians, and  
 \_\_\_\_ locksmiths.

6.02 Designated Manager. Franchisee agrees that at all times during the term of this Agreement there is to be at least one employee of Franchisee (the "Designated Manager") who is principally responsible for the operation of the Franchised Business on a full-time, in-person basis. Franchisee may designate himself as manager for purposes of this paragraph. Franchisee shall notify Franchisor in writing providing the name of the Designated Manager and any successor.

6.03 Tools and Equipment. Franchisee agrees to acquire and maintain a sufficient supply, at Franchisee's expense, of all tools, equipment, uniforms, materials, supplies, and all other such items as Franchisor may prescribe from time to time, which conform with Franchisor's then-current standards and specifications contained in the Confidential Franchise Operations System Manual, and to refrain from using non-conforming items without Franchisor's express written consent. Franchisor reserves the right, in its discretion, to offer to sell any or all of these items to Franchisee and to make a reasonable profit from the sale of these items.

6.04 Pop-A-Lock Tool Kit Lease. Franchisee shall lease from Franchisor all car door unlocking tools and initial uniforms ("Pop-A-Lock Tool Kits") required for the operation of the Franchised Business. Franchisee shall pay Franchisor a single, non-refundable lease fee for each Pop-A-Lock Tool Kit received. The term of the Pop-A-Lock Tool Kit lease shall be the same as the term of this Franchise Agreement and any renewal thereof. Upon the termination of this Franchise Agreement, Franchisee shall and hereby agrees to return all items contained in each Pop-A-Lock Tool Kit to Franchisor. Franchisee agrees and stipulates to pay Franchisor a penalty in the sum of \$1,600 for each complete Pop-A-Lock Tool Kit that it fails to return upon the termination of this Franchise Agreement.

- 6.05 Invoice Forms. Franchisee shall use approved formats for all invoices required for the operation of the Franchised Business. Franchisor may require the sole use of approved vendors.
- 6.06 Continuous Operation. Franchisee's Franchised Business shall be open for the conduct of business, as and if customer demand requires, twenty-four (24) hours a day, 365 days a year and Franchisee shall at all times staff the Franchised Business with such number of employees consistent with this requirement and operate the Franchised Business diligently so as to maximize the revenues and profits therefrom.
- 6.07 Employees. Franchisee shall recruit and hire only efficient, competent, sober, and courteous employees and shall pay their wages, commissions, and other compensation in accordance with all applicable local, state, and federal laws, with no liability therefore on the part of Franchisor. Franchisee shall provide, either himself (if so authorized/certified and only as specified by Franchisor) or through Franchisor's training program, each employee with sufficient training in car door unlocking, roadside assistance and locksmith techniques and procedures to allow each employee to acquire competency to perform the service in accordance with the standards established by Franchisor. Franchisee shall cause its employees to wear apparel which conforms strictly to the specifications, design, color, and style approved by Franchisor from time to time.
- 6.08 Customer Relations. Franchisee shall respond promptly to customer complaints and shall take such other steps as may be required to insure positive customer relations.
- 6.09 Performance of Required and Authorized Additional Services. Franchisee shall perform only Required and Authorized Additional Services and offer and sell only products authorized in writing by Franchisor. Franchisee agrees that it will not engage in any other business activity which may conflict with its obligations under this Agreement or impair the efficient operation of the Franchised Business.
- 6.10 Variation of Standards. Franchisor reserves the right and privilege, in its sole discretion, to vary standards for any Franchisee based upon the peculiarities of a particular site or circumstance, density of population, business potential, population of trade area, existing business practices, or any other conditions which Franchisor deems to be important to the successful operation of each Franchisee's business. Franchisee shall have no recourse against Franchisor on account of any variation from standard specifications and practices granted to any Franchisee and shall not be entitled to require Franchisor to grant Franchisee a like or similar variation.
- 6.11 Credit Cards. Franchisee is required to use the Franchisor designated outside credit card processing entity, whose rate will not be higher than Franchisee's rate as an individual entity. Additionally, royalty and advertising fund fees may be automatically deducted and paid to the Franchisor as part of normal credit card processing.

## **7.00 CONFIDENTIAL MANUALS**

- 7.01 Provision of Confidential Manuals. Franchisor shall provide to Franchisee a Confidential Franchise Operations System Manual and Confidential Unlocking manual as Franchisor, in its description determines is of assistance in operating the Franchised Business, (hereinafter referred to together as the "Manuals") covering proper methods of operating the Franchised Business. Franchisor reserves the right to revise such Manuals from time to time.
- 7.02 Ownership of Manuals. The Manuals are the sole property of the Franchisor and shall be used by Franchisee only during the term of this Agreement and in strict accordance with the terms and conditions hereof. Franchisee shall not duplicate the Manuals, allow duplication of the Manuals by others, or disclose their contents to persons other than employees of the Franchised Business on a "need-to-know" basis. Franchisee shall return the Manuals to Franchisor upon the expiration or termination of this Agreement or transfer of the Franchise by Franchisee, whichever first occurs.
- 7.03 Maintain Confidentiality. Franchisee must maintain in the strictest terms of secrecy and confidentiality all of Franchisor's exclusive elements and trade secrets of the licensed methods, Manuals, and business practices related to the operation of the Franchised Business. Franchisee shall promptly notify Franchisor of any unauthorized use or duplication of the Manuals, any other confidential materials provided by Franchisor, or the proprietary information which they contain.
- 7.04 Right to Modify. Franchisor shall maintain the right to modify the policies, procedures, and methods prescribed in the Manuals from time to time, provided only that such modifications shall not unreasonably alter the fundamental rights of the Franchisee as set forth in this Agreement and Franchisee acknowledges Franchisor's right to mandate such modifications thereto, and that such modifications may require additional costs by Franchisee to implement such modifications.
- 7.05 Covenant to Adhere. Franchisee agrees to operate the Franchised Business in strict accordance with the policies and procedures set forth in the Manuals, including updates and revisions thereto which shall from time to time be forthcoming from Franchisor.

## **8.00 ADVERTISING AND BUSINESS BUILDING**

Recognizing the value of standardized advertising and marketing programs to further the goodwill and public image of the Pop-A-Lock System, Franchisee agrees as follows:

- 8.01 Local Advertising and Business Building. During the first twelve (12) months following commencement of the Franchised Business, Franchisee agrees to expend \$15,000 on continuing local advertising. Additionally, during the first twelve (12) months following commencement of the Franchised Business, Franchisee will: (i) contact, in person, all 411, 211, 911, and other public information organizations, and all fire, law, and emergency organizations at least three times in the first three or four months of operations, (ii) complete the membership application and acceptance requirements for at least five national service providers during the first six months of business, and (iii) employ a person who

will ground market minimally 25 hours per week as specified in the Operations Manual, and submit proof of such ground marketing on a monthly basis to the Franchisor. Said monies, at Franchisor's sole option, may be required to be spent in a regional or area marketing/advertising programs with other area Franchisees.

- 8.02 Social Media. Franchisor has the sole right to maintain Social Media sites and/or applications including, but not limited to: Twitter, Facebook, LinkedIn and other sites or applications that Franchisor may establish. Franchisor will allow Franchisee to establish and utilize social media sites or applications for business purposes only. Franchisee will not be permitted to discuss topics of a "controversial nature" – religion and/or politics- on their Pop-A-Lock branded social media pages. Franchisees are permitted to use Pop-A-Lock branding under the guidelines set forth in the Social Media Guidelines Handbook. Franchisee and Franchisee's employees do not have the right to utilize any of the Trade Secrets and Confidential Information, or the common law copyrighted materials including the products, product names, signage, promotional materials, Manual, training materials, Franchise Agreements, and any other documents, materials and items for the general ambiance and décor used in the operation of the System and the Pop-A-Lock® Businesses on any Social Media sites and/or applications, even if made from a personal Social Media account. Further, any representations from Franchisee or Franchisee's employees regarding Franchisee's profits or earnings made on any Social Media site and/or application, even if made from a personal Social Media account, is deemed a breach of Confidential Information under this Franchise Agreement.
- 8.03 Online/Print Directory Advertising. Franchisee, at its expense and exclusive of any local advertising and digital marketing under Article 8.01 above, may obtain listings of the Franchised Business in specified online directory directories designated by Franchisor, which includes coverage of the Franchise Area. The online listings shall be accompanied by a display-type advertisement which shall conform to the kind, size, position, and other specifications, specified from time to time by Franchisor. Franchisor reserves the right to require Franchisee to (i) utilize, and only utilize, specific online directories and numbers which Franchisor may designate from time to time, and (ii) purchase the display advertisement from or through it at a cost not exceeding that quoted by a specified marketing vendor. In the event Franchisee commences the Franchised Business before the publication of the designated online directories, Franchisee shall coordinate with Franchisor to transfer or give access to the listings as soon thereafter as possible. Additionally, Franchisee must obtain such search engine, and IYP advertising, for the size, position and other specifications as designated by the Franchisor, which include coverage of the Franchise Area.
- 8.04 Advertising Fund. Franchisor maintains and administers the Pop-A-Lock Advertising Fund ("Advertising Fund"). Ownership of the Advertising Fund is vested in Pop-A-Lock Advertising Fund, Inc., a corporation originally organized under the laws of the State of Louisiana, the sole purpose of which is to own the Advertising Fund. All advertising and marketing fees paid pursuant to Article 4.02 hereof shall be contributed to and made part of the Advertising Fund.



- 8.05 Purposes and Disbursements. The Advertising Fund shall be used (i) to develop advertising, marketing and public relations materials or programs designed to communicate the services of the Pop-A-Lock System to the public, (ii) to develop and enhance strategic alliances and business development programs and (iii) to develop local, regional or national marketing programs. ***Franchisor makes no warranties or promises as to when, as, if or whether all or any portion of the Advertising Fund contributions will be spent on the purchase of national, regional or any other form of media.*** Franchisor shall administer the Advertising Fund and direct all advertising with sole discretion over the concepts, materials, and media used therein. Franchisee understands and acknowledges that the Advertising Fund is intended to maximize general public recognition and acceptance of the Licensed Marks for the benefit of the Pop-A-Lock System as a whole and that Franchisor undertakes no obligation to administer the Advertising Fund to ensure that any particular Franchisee benefits directly or pro rata from the Advertising. No part of the Advertising Fund shall be used by Franchisor to defray any of its general operating expenses other than those reasonably allocable to such Advertising or other activities reasonably related to the administration or direction of the Advertising Fund and its related programs, subject to a maximum of twenty (20%) percent of the fund per year. Franchisee agrees that the Advertising Fund may otherwise be used to meet any and all costs incident to such Advertising, one of which may be Franchisor, including funds paid to suppliers of goods or services. In addition, Franchisor shall have the right to expend all, or any portion of, the Advertising Fund for cooperative advertising on a regional or local basis; provided, however, that such programs shall be available to all similarly situated Franchisees as determined by Franchisor in its reasonable discretion. Franchisor shall not be liable for any act or omission with respect to the Advertising Fund which is consistent with this Agreement or done in good faith.
- 8.06 Accumulation of Contributions. Franchisor may, in its sole discretion, elect to accumulate monies in the Fund for such periods of time as it deems necessary or appropriate, with no obligation to expend all monies received in any fiscal year during such fiscal year.
- 8.07 Reimbursement to Franchisor. In the event Franchisor's expenditures for Advertising in any one fiscal year shall exceed the total amount contributed to the Advertising Fund during such fiscal year, Franchisor shall have the right to be reimbursed to the extent of such excess contributions from any amounts subsequently contributed to the Fund or to use such excess as a credit against its future contributions.
- 8.08 Provision of Advertising Materials. Franchisor may provide Franchisee, from time to time, with local advertising and marketing materials, including without limitation newspaper mats, radio and television commercial tapes, merchandising materials, sales aids, special promotions, and similar advertising at a reasonable price, plus handling.
- 8.09 Brand Standards. Franchisee must strictly comply with the unified brand standards guide.
- 8.10 Approval of Material. Prior to use by Franchisee, samples of all advertising material shall be submitted to Franchisor for approval. Approval by Franchisor shall not be required on

any advertising material provided by Franchisor. The approval by Franchisor of advertising material on one occasion does not mean that it will be approved on every occasion.

- 8.11 National Accounts. Franchisor shall have the right to enter into service contracts with agencies and departments of the Federal, State and Local Governments, regional, national and international industries and institutions and other regional, national and international accounts (herein collectively referred to as “National Accounts”) requiring the availability to such National Accounts of Authorized Services and Required Additional Services. Franchisee shall accept all such National Accounts service requests and otherwise service such National Accounts, in accordance with the relevant provisions of the Operating Manual and/or as specified by Franchisor from time to time, and in the same manner required by the provisions hereof for other customers of Franchisee; provided however, that nothing herein contained shall be construed so as to require Franchisee to charge any specific price for such services, except if legally allowed, (e.g. promotional or advertising programs designated by Franchisor). If Franchisee does not properly service any National Account, Franchisor may have that National Account, including the terms of any system wide, majority of Pop-A-Lock locations, agreed to promotional or advertising program, or all National Accounts, serviced in the Franchise Area, by other service providers (including Franchisor). Franchisor reserves the right to assign service duties for regional or national accounts in unfranchised areas to whomever it sees fit, including existing Pop-A-Lock Franchisees, be they in contiguous area, non-contiguous areas or even to non-franchised providers that best meet the needs of the system.
- 8.12 Naming Convention. Franchisor reserves the right to dictate the naming convention of both the holding company name and any DBA’s to avoid conflicts between franchise territories. This includes use of web site URLs, key word descriptions, pay per click campaigns or any similar public usage of the trademarks.
- 8.13 Use of City, State, Municipality or Regional Nicknames in Advertising. Franchisor reserves the right to require prior approval of any public displays, advertisements, or geographically targeted electronic campaigns where the geographic term can be used to target but may not actually appear in advertisements.
- 8.14 Dispatch System. Franchisee agrees to participate in the Pop-A-Lock dispatch system (“Dispatch System”) which is now in effect or which may hereafter be instituted by Franchisor; to comply with all of the terms and conditions applicable to said Dispatch System; to accept and service all customers received through said Dispatch System; and to pay the Dispatch System service provider, which may be Franchisor, the fees and other charges due under said dispatch system accordance with the relevant provisions of the Operating Manual. Franchisee must pay the communication costs for customers sent to you from another franchisee or dispatch system provider. In addition, Franchisee shall accept and service all customers received from other Pop-A-Lock Franchisees and shall transmit all customer service which it is requested to place by any customer to the appropriate Pop-A-Lock Franchisees without any charge to the customer and without fee

to the receiving Pop-A-Lock Franchisees other than as specified in the Operating Manual. (See Section 1.06, Franchise Area Adjustment)

- 8.15 Credit Card Programs. Franchisee agrees to participate in and give its complete cooperation to Franchisor and other Pop-A-Lock Franchisees and to comply with all obligations of Franchisor and its franchisees in connection with all credit card programs from time to time formulated and established by Franchisor. All such programs shall be described in the Operating Manual.

## **9.00 STATEMENTS AND RECORDS**

- 9.01 Records. Franchisee shall maintain original, full, and complete business and financial records, including without limitation, sales and revenue data, expense data accounts, books, contracts, and other records which shall accurately reflect all operations relating to the Franchised Business, along with such statistical and other information or records as Franchisor may require from time to time. Franchisee shall keep all such information for a period of time not less than three (3) years following the expiration of the term of this Agreement. In addition, Franchisee shall compile and provide to Franchisor any statistical or financial information regarding the operation of the Franchised Business as Franchisor may reasonably request from time to time for purposes of evaluating or promoting the Franchised Business or the Pop-A-Lock System in general. Franchisee consents to the disclosure or other publication by Franchisor of the sales and customer data reflected by these records for the purpose of promoting evaluations or improving the Pop-A-Lock System.
- 9.02 Royalty Statement. Franchisee shall deliver to Franchisor together with the recurring fee payments made pursuant to Article 4, a Royalty Statement, on a form prescribed by Franchisor, stating the Gross Sales of the Franchised Business for the time period for which payment was made as well as such other information as Franchisor may require. The Royalty Statement shall be signed and certified as true and correct by Franchisee or its Designated Manager.
- 9.03 Audit. Franchisor and its designated agents shall have the right at its own expense to examine and audit the records, accounts, books, and data pertaining to the Franchised Business, including, without limitation, telephone usage statements, telephone answering service invoices, and dispatch logs, at all reasonable times to ensure that Franchisee is complying with the terms of this Agreement. If such inspection discloses that the actual Gross Sales during any scheduled reporting period exceeded the amount reported by Franchisee by an amount equal to two percent (2%) or more of the Gross Sales originally reported to Franchisor, Franchisee shall bear the cost of such inspection and audit and shall pay any such deficiency with interest from the date due at the lesser of eighteen percent (18%) per annum or the highest rate permitted by applicable law, immediately upon the request of Franchisor.
- 9.04 Tax Returns. Upon Franchisor's request, Franchisee shall furnish Franchisor with a complete copy of each of its reports and returns of sales, use, and gross receipt taxes and

complete copies of any state or federal returns covering the operation of the Franchised Business, all of which Franchisee shall certify as true and correct. In the event the Franchised Business is included in Franchisee's personal tax returns, Franchisee shall provide full and complete copies of such personal tax returns to Franchisor upon request. Franchisor shall keep all such information confidential. In the event the Franchised Business is included in a "consolidated" tax return filed by the Franchisee which includes other businesses owned by the Franchisee, Franchisee agrees to provide Franchisor with all pertinent data and information related to the Franchised Business, the same as if an individual tax return had been prepared for the Franchised Business.

- 9.05 Financial Statements. Upon Franchisor's request or as specified in the Manual, Franchisee shall furnish to Franchisor financial statements which shall include a Balance Sheet and a Profit & Loss Statement of Franchisee, all as of the end of the most recently requested monthly, quarterly, or annual period, which shall be certified to by Franchisee as being true and correct. During the first twelve (12) months following commencement of the Franchised Business, Franchisee shall furnish to Franchisor monthly Balance Sheet and Profit and Loss Statements of Franchisee, within fifteen (15) days following the end of each month.

## **10.00 COVENANTS**

- 10.01 Efforts of Franchisee. Franchisee understands that the Franchise granted hereunder is not a passive investment but rather is a business dependent upon Franchisee's independent efforts, business judgment, and skills, as well as market conditions. Franchisee, through training and otherwise, will familiarize himself thoroughly with the standards and methods of operation of the Pop-A-Lock System. Franchisee will render assistance to and cooperate with Franchisor and other Franchisees as may reasonably be required to carry out the intents and purposes of this Agreement and to maximize sales under the Licensed Marks. Franchisor makes no representations, express or implied, regarding potential earnings of Franchisee's Franchised Business. Franchisor makes no representations regarding any activities or services to be engaged in or provided by Franchisor, except as expressly provided herein.
- 10.02 Non-Competition. During the term of this Agreement, Franchisee, and each Guarantor hereof, covenants not to engage as an employee, owner, operator, or in any managerial or consulting capacity in any business which engages in or offers car door unlocking services, roadside assistance, locksmith services, or any other similar or Additional authorized or Required Services made part of the Pop-A-Lock System other than as an authorized Pop-A-Lock Franchisee. Further, in the event this Agreement is terminated, expires, or is not renewed, or if Franchisee or any Guarantor assigns or transfers its interest herein to any person or business organization, then in such event Franchisee and any such Guarantor covenants, for a period of two (2) years after such termination, expiration, non-renewal, transfer, or assignment not to engage as an employee, owner, operator, or in any managerial or consulting capacity in any business which engages in or offers car door unlocking services, roadside assistance, locksmith services, or any other similar or Authorized or Required Services part of the Pop-A-Lock System within a radius of sixty (60) miles of, or

in the Franchise Area, a Pop-A-Lock Franchise, other than as an authorized Pop-A-Lock System Franchise in another area. Franchisee understands and agrees that the purpose of this covenant is not to deprive Franchisee of a means of livelihood and that complying with this covenant will not do so, but is rather to protect the goodwill, trade secrets, and proprietary nature of the Pop-A-Lock System.

- 10.03 Non-Disparagement and Confidentiality. During the term of this Agreement and thereafter, Franchisee and each Guarantor agrees that they shall not disparage or defame Franchisor in any respect. Additionally, during the term of this Agreement and thereafter, Franchisee and each Guarantor covenants not to communicate directly or indirectly, nor to divulge or use for its benefit or the benefit of any other person or legal entity, any trade secrets which are proprietary to Franchisor, or any information, knowledge, or know-how deemed confidential under Article 7 hereof, except as permitted by Franchisor. In the event of any termination, expiration or non-renewal of this Agreement, Franchisee agrees that it will never use Franchisor's confidential information, trade secrets, methods of operation, or any proprietary components of the Pop-A-Lock System in the development or operation of any business which engages in or offers car door unlocking services, roadside assistance, locksmith services, or any other Additional authorized or Required Services made part the Pop-A-Lock System. Franchisee agrees that if it engages as an employee, owner, operator, or in any managerial or consulting capacity in any such business, it will assume the burden of proving that it has not used Franchisor's confidential information, trade secrets, methods of operation, or any proprietary components of the Pop-A-Lock System. No conversations can be recorded between Franchisor and Franchisee, any recording is a direct violation of, and a default of the Franchise Agreement.
- 10.04 Employee Non-Disclosure/Non-Competition Agreements. Franchisee agrees to execute non-disclosure and non-competition agreements, in accordance with the law of the state in which the Franchised Business operates, with each of its employees, which shall prohibit competition by its employees during and for a period of one (1) year after termination of their employment with Franchisee in any business which engages in or offers services similar in nature to the Authorized Services within sixty (60) miles of or in the Franchise Area and which shall further prohibit the employee from (i) disclosing to any other person or legal entity or (ii) using any trade secrets or any other information, knowledge, or know-how deemed confidential by Franchisor concerning the operation of the Franchised Business or the Pop-A-Lock System. Franchisor shall be a third-party beneficiary of such agreements and, as such, the agreements shall be subject to the prior written approval of Franchisor. Franchisee shall not amend, modify, or terminate any such agreement without Franchisor's prior written consent.

## **11.00 TRANSFER AND ASSIGNMENT**

- 11.01 Assignment by Franchisee. Franchisee shall not sell, assign, transfer, pledge, or convey any interest in the Franchise Agreement or the Franchised Business without the prior written consent of Franchisor. Such consent shall not be unreasonably withheld provided that any consent to such action may carry with it terms and conditions prescribed by the Franchisor, including, without limitation, the following conditions:

- (i) Franchisee's assignee shall assume all the duties, obligations, and liabilities of Franchisee to Franchisor and shall have executed the then-current form of Franchise Agreement, which shall expire on the initial expiration date of this Agreement, together with all other documents then required by Franchisor in connection with the sale of a new franchise.
  - (ii) Franchisee's assignee shall pay to Franchisor a transfer fee in the amount of \$11,500.00.
  - (iii) Franchisee must demonstrate to Franchisor's reasonable satisfaction that the prospective assignee has the good moral character, professional qualifications, financial ability, and other qualifications required by the Franchisor of a Pop-A-Lock Franchisee at the time of such transfer.
  - (iv) Prior to the consummation of any such transfer, the Franchisee shall pay all sums owing to Franchisor, to cure any breaches of the Franchise Agreement, and to comply with all other applicable transfer requirements designated in the Manuals or as otherwise communicated by the Franchisor to the Franchisee in writing.
  - (v) Franchisee must execute a general release of all claims, if any, it may have or believes it may have against Franchisor.
  - (vi) Franchisee's assignee must attend New Franchisee Training at a cost of \$750.00
- 11.02 Assignment by Sole Proprietor to Legal Entity. Franchisee may assign, without penalty and without the payment of any transfer fee to the Franchisor, this Agreement to a corporation or other legal entity which it may own or form in the future, provided only that Franchisee shall at all times remain in control of and own all of the outstanding stock in said corporation and act as the principal officer(s) and director(s) thereof. The Franchisee shall be and remain, together with the corporation and its shareholders, jointly and severally liable for all obligations under this Agreement and for all breaches thereof. The corporation shall execute a then-current form of Franchise Agreement and each shareholder shall execute a written guaranty by which each personally guarantees the performance of all obligations under this Agreement.
- 11.03 Assignment by Franchisor. Franchisor reserves the right to sell or assign any portion of its interest in this Agreement, provided that the transferee assumes all obligations of Franchisor thereunder.
- 11.04 Franchisor's Right of First Refusal. If Franchisee desires to sell or assign its rights under this Agreement for value, Franchisee shall first notify Franchisor in writing of such intention and offer to sell such rights to Franchisor upon the terms and conditions set forth in such notice, which shall be at least as favorable as those offered by a bona fide third party (and such notice shall include a copy of such third-party offer), net of any business brokerage commissions. If Franchisor declines or fails to accept the offer within 30 days of receipt, Franchisee may sell or assign the Franchise to such bona fide third party based upon the terms of said offer, provided that all applicable requirements of Article 11 hereof are satisfied.

- 11.05 Death or Incapacity of Franchisee. In the event of the death or mental incompetence of a sole proprietor or partner Franchisee, the executor, administrator, or personal representative of the Franchisee may transfer the rights under this Agreement to Franchisee's heirs, legatees, or successors, provided only that such heirs, legatees, or successors meet the then-current qualifications required of a Pop-A-Lock Franchisee and further provided that such heirs, legatees, or successors agree in writing to be bound by the terms of this Agreement. If not, the executor, administrator, or personal representative of the Franchisee shall have a period of three (3) months following the failure to qualify to sell the deceased's interest in the Franchise Agreement to an assignee acceptable to Franchisor as provided in Article 11.01. If such a sale is not concluded within that period, Franchisor may terminate this Agreement. Franchisor, shall have the right, but not the obligation, to manage/operate Franchisee's Franchised Business, for reasonable costs and management fee, until a qualified Franchisee and manager owns and operates the Franchised Business.

## 12.00 **DEFAULT AND TERMINATION**

12.01 **Immediate Termination.** Franchisor shall have the right to terminate this Agreement and all rights granted hereunder immediately upon written notice to Franchisee without opportunity to cure for the following reasons:

- (i) If Franchisee transfers any rights or obligations arising from this Franchise Agreement to any third party without Franchisor's prior written consent.
- (ii) If the Franchisee or the Franchised Business is declared bankrupt or judicially determined to be insolvent, or all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the Franchisee admits or by other actions evidences its inability to pay its debts as they come due;
- (iii) If the Franchisor and Franchisee agree in writing to terminate this Agreement;
- (iv) If Franchisee fails to commence the operation of the Franchised Business on the date and as directed by Franchisor, abandons the Franchised Business or ceases to actively remain open for business for seven (7) consecutive days, or any shorter period after which it is reasonable under the facts and circumstances for Franchisor to conclude that Franchisee does not intend to continue to operate the Franchised Business or provide all of the Required or Additional Required Services;
- (v) If the Franchisee is found by a court of competent jurisdiction to have committed an offense which damages the goodwill associated with the Licensed Marks or the Pop-A-Lock System;
- (vi) If the Franchisee makes any materially false statements or reports to the Franchisor in connection with the Franchise Agreement or the application thereto;
- (vii) If on more than two (2) occasions within any consecutive twelve (12) month period during the term of this Agreement, Franchisee has been in default of its payment obligations under Article 4.01 and 4.02, or its reporting obligations under Article 9.02 of this Agreement; or
- (viii) If on more than two (2) occasions within any consecutive twelve (12) month period during the term of this Agreement, Franchisee is found to be in repeated violation of other material compliance requirements specified in this Agreement (Including, but not limited to, Articles 8.01, 8.03, 9.05, and complete compliance with the uniform and vehicle identification standards set forth in the Operations Manual).

12.02 **Termination Effective After Notice and Opportunity to Cure.** Franchisor may, for “good cause” as set forth below, terminate this Agreement effective at the end of thirty (30) days after written notice and opportunity to cure, to Franchisee. The meaning of the term “good cause” shall include, but not be limited to, the occurrence of any of the following acts of default:

- (i) The Franchisee is in default in the prompt reporting and full payment of any financial obligation due to Franchisor under this Agreement; or
- (ii) Franchisee fails to meet the performance quotas in any year during the term as set out in Article 6.01.



- (iii) The Franchisee refuses, neglects or fails to perform any provision of this Agreement or fails to remain in full compliance with each of the provisions of the then-current Manuals as revised from time to time; or
- (iv) Any final judgment or ruling against Franchisee relating to the Franchised Business remains unsatisfied for a period of thirty (30) days.

12.03 Termination by Franchisee. Franchisee may not terminate this Agreement prior to the expiration of its term except through legal process, and as required by Article 18.00 herein, and only for material breach of this Agreement by Franchisor, or with Franchisor's consent. In the event that Franchisee shall claim that Franchisor has failed to meet any obligation under this Agreement, Franchisee shall provide Franchisor with written notice of such claim, within one (1) year of its occurrence, specifically enumerating all alleged deficiencies and providing Franchisor with an opportunity to cure, which shall in no event be less than thirty (30) nor more than sixty (60) days from the date of receipt of such notice by Franchisor from Franchisee. Failure to give such notice shall constitute a waiver of any such alleged default.

12.04 Conformity with State Law. Notwithstanding the provisions of this Article 12.00, if any valid, applicable law or regulation of a competent governmental authority having jurisdiction over the franchise and the parties to this Agreement shall limit the Franchisor's rights of termination or shall require longer notice periods than those set forth above, the Franchise Agreement is deemed amended to conform to such rules and regulations.

### **13.00 OBLIGATIONS UPON TERMINATION OR NON-RENEWAL**

13.01 Effect of Termination. Upon notice by Franchisor to Franchisee of the termination or non-renewal of this Agreement, Franchisee shall:

- (i) Immediately (a) cease to be a Franchisee of Franchisor under this Agreement and (b) cease to operate under or use the Licensed Marks and the Pop-A-Lock System. Additionally, Franchisee shall begin immediately to take all steps necessary or required by Franchisor to disassociate itself from Franchisor and the Pop-A-Lock System.
- (ii) Immediately pay all sums owing to Franchisor. Upon termination resulting from any default by Franchisee, such sums shall include actual damages, costs, and expenses, including reasonable attorneys' fees incurred by Franchisor as a result of the default.
- (iii) Within ten (10) days after the effective date of the expiration or termination of this Agreement, return to Franchisor the Manuals and all trade secrets and other confidential materials, and all copies thereof, along with all Pop-A-Lock Tool Kits, equipment, and other property owned by Franchisor in the possession of Franchisee.
- (iv) Take such action as may be required by Franchisor, at Franchisor's sole option, to transfer and assign (or to disconnect and forward) to Franchisor or its designee all telephone numbers, white and yellow page telephone references and advertisements, and all trade and similar names registrations and business licenses,

and to cancel any interest which Franchisee may have in the same, which Franchisee used to receive calls from the public or which were used for the Franchised Business. In that event, Franchisor shall from the effective date of termination or non-renewal of this Agreement assume financial responsibility for charges accruing for the use of said telephone numbers.

- (v) Cease to use in advertising, or in any manner whatsoever, any Licensed Marks, methods, procedures, or techniques associated with the Pop-A-Lock System.
- (vi) Not operate or engage in the same or similar business more fully set forth in this Agreement under the heading "Non-Competition" and "Confidentiality" in Article 10.
- (vii) If Franchisor terminates this Agreement for cause, all royalty and ad fund fees described in this Agreement, based on royalties and ad fund yearly payments for the past two years, will be due for the remainder of the current term of this Agreement.

#### **14.00 TAXES, PERMITS, AND INDEBTEDNESS**

- 14.01 Taxes. Franchisee shall promptly pay when due any and all federal, state, and local taxes including without limitation unemployment and sales taxes, levied or assessed with respect to any services or products furnished, used, or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business.
- 14.02 Regulations. Franchisee shall comply with all federal, state, and local laws, rules and regulations and timely obtain any and all permits, certificates, and licenses for the full and proper conduct of the Franchised Business.
- 14.03 Responsibility for Debts. Franchisee hereby expressly covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the Franchised Business.

#### **15.00 INDEMNIFICATION, INDEPENDENT CONTRACTOR STATUS, AND INSURANCE**

- 15.01 Indemnity. Franchisee agrees to indemnify, hold harmless and defend Franchisor, and its directors, officers, employees, agents, attorneys, and shareholders, jointly and severally, from and against any and all fines, claims, actions, proceedings, damages, costs, expenses, and other losses and liabilities, (including without limitation attorneys' fees and accountants' fees) as a result of, arising out of, or connected with the operation of the Franchised Business, including, but not limited to, any civil or criminal acts committed by Franchisee or its employees outside the normal course and scope of the Franchised Business.
- 15.02 Relationship of Parties. The relationship between Franchisor and Franchisee is that of franchisor and franchisee. No other relationship is intended or created hereby. Neither

Franchisee nor any person employed by Franchisee or shall at any time represent or hold itself out as being, an employee, partner, joint venture, subsidiary, or affiliate of Franchisor. Franchisee shall not incur any obligation on behalf of Franchisor. Franchisee is and shall remain an independent business entity and nothing in this Agreement or otherwise shall be construed to create an agency relationship, a partnership, or a joint venture between Franchisee and Franchisor. Neither Franchisee nor Franchisor shall act as the agent of the other, and neither Franchisee nor Franchisor shall guarantee or become in any way responsible for the obligations, debts, or expenses of the other. Franchisor shall not be entitled to share in the profits of Franchisee nor be required to share in Franchisee's losses or liabilities, nor have any ownership or equity interest in the Franchise, nor regulate the hiring or firing of Franchisee's employees or other persons performing functions on behalf of the Franchisee, nor regulate working conditions or determine whom the Franchisee shall accept as customers, except to the extent necessary to protect the Licensed Marks and the goodwill associated therewith, or to service National Accounts. The conduct of Franchisee's business shall be determined by its own independent reasonable business judgment and discretion, subject only to the provisions of this Agreement and the Manuals. Nothing herein or otherwise shall create the relationship of trustee or beneficiary between Franchisor and Franchisee.

- 15.03 Insurance. Franchisee shall, at its expense and no later than upon commencement of the business contemplated by this Agreement, procure and maintain in full force and effect throughout the term of this Agreement the types of insurance enumerated in the Manuals or otherwise in writing which shall be in such amounts as may from time to time be required by Franchisor and which shall designate Franchisor as an additional named insured, including, but not limited to, the following: (i) Workers' Compensation insurance as prescribed by applicable state law; (ii) comprehensive general liability insurance covering the operation of the Franchised Business with limits of not less than \$1 million; (iii) automobile and general liability insurance on all vehicles owned by the Franchised Business with limits of not less than \$1 million, and (iv) hired, non-owned automobile liability insurance covering vehicles owned by employees of Franchisee and used in the performance of their duties with limits of not less than \$1 million. All insurance coverage required hereinabove shall include the name of Franchisor as an additional "named insured". Franchisee shall furnish to Franchisor evidence that such insurance policies have been procured and maintained in effect during the term of this Agreement.

## **16.00 WRITTEN APPROVALS, WAIVERS, FORMS OF AGREEMENT, AND AMENDMENT**

- 16.01 Written Approval. Whenever this Agreement requires Franchisor's prior approval, Franchisee shall make a timely written request. Unless a different time period is specified in this Agreement, Franchisor shall respond with its approval or disapproval within fifteen (15) days of receipt of such request. If Franchisor has not specifically approved a request within such fifteen (15) day period, such failure to respond shall be deemed disapproval of any such request.

- 16.02 Waiver Provision. No failure of Franchisor to exercise any power reserved to it by this Agreement and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. No waiver or approval by Franchisor of any particular breach or default by Franchisee, nor any delay, forbearance, or omission by Franchisor to act or give notice of default or to exercise any power or right arising by reason of such default hereunder, nor acceptance by Franchisor of any payments due hereunder shall be considered a waiver or approval by Franchisor of any preceding or subsequent breach or default by Franchisee of any term, covenant, or condition of this Agreement.
- 16.03 No Warranty of Uniform Terms. No warranty or representation is made by Franchisor that all Pop-A-Lock System franchise agreements heretofore or hereafter issued by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that Franchisor may, in its reasonable business judgment, due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements heretofore or hereafter granted to other Pop-A-Lock System Franchisees in a non-uniform manner, subject, however, to those provisions of this Agreement which require Franchisor to act toward its Franchisees on a reasonably non-discriminatory basis.
- 16.04 Entire Agreement. This Franchise Agreement contains the entire agreement between the parties and supersedes any and all prior agreements or negotiations concerning the subject matter hereof and may only be modified or amended by mutual written agreement. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require Franchisee to waive reliance on any representation that Franchisor made in the most recent Disclosure Document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative. **SUBJECT TO SUCH DISCLOSURE DOCUMENT, THERE ARE NO REPRESENTATIONS, WARRANTIES, EARNINGS, REVENUE OR OTHER CLAIMS, AGREEMENTS, PROMISES, ARRANGEMENTS, OR UNDERSTANDINGS, ORAL OR WRITTEN, BETWEEN THE PARTIES HERETO RELATING TO THE SUBJECT MATTER WHICH ARE NOT FULLY EXPRESSED HEREIN.**

## 17.00 NOTICES

- 17.01 Addresses. All notices required hereunder shall be in writing and shall be sent by certified mail, return receipt requested, to the address of the other party shown herein, or to such other address as may in the future be provided by either of the Parties. In the event the Franchisee has changed address and failed to properly advise Franchisor in writing of its new address, all notices required to be given to Franchisee under this Agreement shall be deemed proper if sent to the last known address of the Franchisee on file with the Franchisor.
- 17.02 Notices of Default and/or Termination. All notices of default and/or termination hereunder shall be in writing, sent by registered, certified, or other receipted mail (including overnight courier services) or delivered by telegram or personally to the Franchisee. Such notices

shall contain a statement of intent to terminate the Franchise together with reasons therefor and the effective date of termination. Any cure periods required with respect to such notices shall run from the date of depositing such notices in the U.S. Mail, postage prepaid or the date of other dispatch to Franchisee. All notices of default and/or termination shall be deemed delivered on the date of depositing such notices in the U.S. Mail as provided herein.

## **18.00 GOVERNING LAW AND DISPUTE RESOLUTION**

- 18.01 Governing Law. This Agreement is accepted by Franchisor in the State of Louisiana and shall be governed by, construed, interpreted, and applied in accordance with the laws of the State of Louisiana\*, which laws shall prevail in the event of any conflict. Franchisee hereby irrevocably submits any claim, dispute, suit, action, or proceeding which it may have arising out of or relating to this Agreement, or any of the transactions or documents contemplated by, referenced in, or related to this Agreement to the Judicial Authority nearest to Franchisor (Venue will always be as close to Franchisor as possible.) \*Refer to Exhibit E in the Franchise Disclosure Document for State-specific Addenda.
- 18.02 Dispute Resolution - Arbitration. Franchisee hereby irrevocably submits any claim, dispute, suit, action, or proceeding which it may have arising out of or relating to this Agreement, or any of the transactions or documents contemplated by, referenced in, or related to this Agreement, to binding arbitration under the rules for commercial arbitration of the American Arbitration Association at its office located nearest to Franchisor. Franchisee agrees that Franchisee's rights, obligations, and abilities are unique to Franchisee and any and all dispute resolution must be resolved solely and individually between Franchisor and Franchisee.
- 18.03 Dispute Resolution - Courts. Franchisor, with respect to any dispute of the type described below, shall have the right, in its sole discretion, to seek without bond an order for specific performance, including injunctive or equitable relief, of any court of competent jurisdiction to enforce Franchisee's obligations under this Agreement pending or independent of arbitration or, alternatively, to submit such dispute to binding arbitration:
- (i) Disputes involving the ownership and/or use of the Licensed Marks or Pop-A-Lock System of Franchisor;
  - (ii) Disputes regarding the breach of non-competition covenants or the disclosure or improper or unauthorized use of confidential or proprietary information by Franchisee; or
  - (iii) Disputes regarding compliance with Franchisor's standards of operation as provided in this Agreement or in any manuals provided by Franchisor.
- A court will determine if a bond is required.
- 18.04 Notwithstanding anything in this agreement or any other agreement to the contrary; Franchisor shall have the absolute sole right to demand that Louisiana law and venue in Lafayette Parish apply as regards any claims or actions between Franchisee and Franchisor.

Additionally, Franchisor shall have the sole absolute right to determine if any claim or action will be arbitrated or litigated in Lafayette Parish using Louisiana law.

## **19.00 ATTORNEY'S FEES**

If Franchisor secures any declaration, injunction, order of specific performance, or any other judgment pursuant to Article 18.03, if any provision of this Agreement is enforced at any time by Franchisor, or if any amounts due from Franchisee to Franchisor are, at any time, collected by or through an attorney at law or collection agency, Franchisee shall be liable to Franchisor for all costs and expenses of enforcement and collection including, but not limited to, court costs and reasonable attorneys' fees.

## **20.00 SEVERABILITY AND CONSTRUCTION**

- 20.01 Severability. Should any provision of this Agreement be for any reason held invalid, illegal or unenforceable by a court of competent jurisdiction, such provision shall be deemed restricted in application to the extent required to render it valid; and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision. In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this paragraph shall operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to effectuate fully the provisions hereof. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, on a temporary or permanent basis, to reduce the scope of any covenant or provision of this Agreement binding upon Franchisee, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable.
- 20.02 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute one and the same instrument.
- 20.03 Captions. The table of contents, headings, and captions contained herein are for the purposes of convenience and reference only and are not to be construed as a part of this Agreement. All terms and words used herein shall be construed to include the number and gender as the context of this Agreement may require. The parties agree that each section of this Agreement shall be construed independently of any other section or provision of this Agreement.

## **21.00 ACKNOWLEDGMENTS**

- 21.01 Franchisee acknowledges that it has carefully read this Agreement and all other related documents to be executed by it concurrently or in conjunction with the execution hereof,

that it understands the nature of this Agreement, and that it intends to comply herewith and be bound thereby. No representation, promise, guarantee, or warranty has been made herein or in connection herewith by Franchisor to induce the execution hereof by Franchisee which is not expressly contained herein. Franchisee recognizes that neither Franchisor nor any other person can guarantee Franchisee's success in the franchised business. By the execution and acceptance of this Agreement, the parties hereto acknowledge that they have read the same and understand each provision hereof.

Initialed: \_\_\_\_\_

21.02 Franchisee acknowledges that this Franchise Agreement was accompanied by a Franchise Disclosure Document which Franchisee received at least ten (10) days prior to entering into this Agreement or any other agreement, or payment of any consideration for same, except as otherwise required by certain state laws that may require receipt of the Franchise Disclosure Document at the earlier of:

- (i) The first personal meeting with the Franchisor; or
- (ii) Ten (10) business days prior to the signing of any Franchise Agreement or related agreements or ten (10) business days before any payment by the Franchisee.

Initialed: \_\_\_\_\_

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal on the dates shown below, but effective on the date shown above.

**FRANCHISOR:** SYSTEMFORWARD AMERICA, LLC

By \_\_\_\_\_

Date \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
(Print Name)

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

**PERSONAL GUARANTEE**

The undersigned hereby personally guarantees each and every obligation of the above Franchisee to SYSTEMFORWARD AMERICA, LLC ("Franchisor") arising out of this Franchise Agreement, any promissory note or otherwise, all without limitation of any kind or nature. Franchisor need not bring suit first against Franchisee in order to enforce this guarantee.

\_\_\_\_\_  
Guarantor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Guarantor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Guarantor

\_\_\_\_\_  
Date



**EXHIBIT D**  
**FORM OF GENERAL RELEASE**

### General Release

THIS GENERAL RELEASE (the “**Release**”) is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the “**Effective Date**”), by and between:

- System Forward America, Inc., a Louisiana corporation whose principal place of business is 1018 Harding Street, Suite 101 Lafayette, Louisiana 70503 (“**Franchisor**”); and
- \_\_\_\_\_ a [resident of]  
[corporation organized in] [limited liability company organized in] \_\_\_\_\_ and  
having offices at \_\_\_\_\_  
[(“**Franchisee**”)] [(“**Transferor**”)].

### BACKGROUND:

- A. Franchisor and [Franchisee][Transferor] are party to a Franchise Agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”);
- B. Franchisor and Franchisee have agreed, pursuant to the Franchise Agreement, [to renew or extend Franchisee’s rights under the Franchise Agreement (the “**Renewal Transaction**”)] [to permit a transfer or assignment of \_\_\_\_\_ pursuant to Section \_\_\_\_ of the Franchise Agreement (the “**Transfer Transaction**”)], and in connection with the [Renewal Transaction] [Transfer Transaction], Franchisor and [Franchisee] [Transferor] have agreed to execute this Release, along with such other documents related to the approved [Renewal Transaction] [Transfer Transaction].

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

1. Release. [Franchisee] [Transferor], its officers and directors and Principals, and their respective agents, heirs, administrators, successors and assigns (the “**Franchisee Group**”), hereby forever release and discharge, and forever hold harmless Franchisor, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors and assigns (the “**Franchisor Group**”) from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which [Franchisee] [Transferor] and/or its Principals had, have or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership or operation of the Pop-A-Lock franchise. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense or damages (actual or consequential) including, without limitation, reasonable attorneys’, accountants’ and expert witness fees, costs of investigation and proof of facts, court costs and other

litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor or other third party now has, ever had, or hereafter would or could have, as a result of, arising from or relating to the Franchise Agreement or the Pop-A-Lock franchise. The Franchisee Group and its Principals represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements or promises described herein.

2. General Terms.

2.1. This Release shall be binding upon, and inure to the benefit of, each party's respective heirs, representatives, successors, and assigns.

2.2. This Release shall take effect upon its acceptance and execution by each of the parties hereto.

2.3. This Release may be executed in counterparts, and signatures exchanged by fax, and each such counterpart, when taken together with all other identical copies of this Release also signed in counterpart, shall be considered as one Release.

2.4. The captions in this Release are for the sake of convenience only and shall neither amend nor modify the terms hereof.

2.5 [For Maryland franchisees, add this paragraph]: The parties agree that all actions arising under this Release must be commenced in the state or federal court of general jurisdiction in Maryland, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. This Release shall be interpreted and construed under the laws of the State of Maryland. In the event of any conflict of law, the laws of the State of Maryland shall prevail (without regard to, and without giving effect to, the application of Maryland conflict of law rules).

2.6. This Release constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements and communications concerning the subject matter hereof. No other representations have induced the parties to execute this Release. The parties agree that they have not relied upon anything other than the words of this Release in deciding whether to enter into this Release.

2.7 [ For Washington franchisees, add this paragraph]: It is inapplicable with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder).

2.8. No amendment, change, or variance from this Release shall be binding on either party unless in writing and agreed to by all of the parties hereto.

3. [For California franchisees, add this paragraph]: Each of the Franchisee Related Parties expressly waives and relinquishes all rights and benefits which either may now have or in the future have under and by virtue of California Civil Code Section 1542. The parties do so

understand the significance and consequence of such specific waiver. Section 1542 provides that “[a] general release does not extend to claims which the creditor does not know, or suspect 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.” For the purpose of implementing a general release and discharge as described in Section 1. above, the parties expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all claims described in Section 1. above which the parties do not know or suspect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.

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

**SystemForward America, LLC**  
Franchisor

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT E**

**STATE-SPECIFIC ADDENDA AND AGREEMENT AMENDMENTS**

## **STATE-SPECIFIC DISCLOSURE ADDENDA**

## California Disclosure

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Franchise Disclosure Document for SystemForward America, LLC in connection with the offer and sale of franchises for use in the State of California shall be amended to include the following:

1. Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of the website may be directed to the California Department of Financial Protection and Innovation at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

2.. 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.

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

4. YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE § 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§ 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE § 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§ 20000 THROUGH 20043).

5. Spousal liability: Your spouse will be liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

6. In Item 3, "Litigation," shall be amended by the addition of the following paragraphs:

Pursuant to California law, this Item does not include any information regarding the arrest of any person(s) that did not result in a conviction or plea of nolo contendere.

Neither we, nor any person identified in Item 2 above, is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934, 15 U.S.C. § 78a, et seq.) suspending or expelling such person from membership in such association or exchange.

7. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following paragraph(s) at the conclusion of the Item:

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

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

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

If the Franchise Agreement contains a liquidated damages clause. Under California Civil Code § 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur at the American Arbitration Association’s office located nearest to Franchisor, with the costs being borne by franchisee. Prospective Franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of the State of Louisiana. This provision may not be enforceable under California law.

8. The Franchisor may terminate a Franchise Agreement if the franchisee does not comply with the market penetration quota.
9. The earnings claims figure(s) does (do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.



## Hawaii Disclosure

The following paragraphs are to be added in the state cover page:

THESE FRANCHISES WILL BE OR HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF SECURITIES, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE COMMISSIONER OF SECURITIES, DEPARTMENT 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 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, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, AND THIS ADDENDUM, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS ADDENDUM AND THE DISCLOSURE DOCUMENT CONTAIN 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 FRANCHISEE.

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, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., the Franchise Disclosure Document for SystemForward America, LLC in connection with the offer and sale of franchises for use in the State of Hawaii shall be amended to include the following:

1. Item 20 "Outlets and Franchisee Information," shall be amended by the addition of the following paragraph:

This proposed registration is effective/exempt from registration or will shortly be on file in California, Hawaii, Illinois, Minnesota, New York, Rhode Island, Virginia, Washington, and Wisconsin. No states have refused, by order or otherwise, to register these franchises. No states have revoked or suspended the right to offer these franchises. The proposed registration of these franchises has not been involuntarily withdrawn in any

state.

2. Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., are met independently without reference to this Addendum to the Disclosure Document.

## **Illinois Disclosure**

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

## **Maryland Disclosure**

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

Franchisees are permitted to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Pursuant to COMAR 02.02.08.16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. The provision in the Franchise Agreement which provides for termination upon bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101et seq.).

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

## Minnesota Disclosure

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document for SystemForward America, LLC for use in the State of Minnesota shall be amended to include the following:

1. Item 13, “Trademarks,” shall be amended by the addition of the following paragraph at the end of the Item:

Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), we are required to protect any rights which you have to use our proprietary marks.

2. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following paragraphs:

With respect to franchisees governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3,4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.

Pursuant to Minn. Rule 2860.4400D, any general release of claims that you or a transferor may have against us or our shareholders, directors, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.

Minn. Stat. § 80C.21 and Minn. Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights, as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. We may seek injunctive relief, but you cannot consent to our obtaining injunctive relief.

3. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commission of Commerce are met independently without reference to this addendum to the Disclosure Document.

## New York Disclosure

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

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

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

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark: A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations. B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations. C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations. D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective Rev. March 17, 2021 2 injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

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

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

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

### **Rhode Island Disclosure**

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34 the Franchise Disclosure Document for SystemForward America, LLC for use in the State of Rhode Island shall be amended to include the following:

1. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following:

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that  
“A provision in a franchise agreement restricting jurisdiction or venue to a  
forum outside this state or requiring the application of the laws of another  
state is void with respect to a claim otherwise enforceable under this Act.”

2. This addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this addendum to the Disclosure Document.



## Washington Disclosure

In recognition of the Washington Franchise Investment Protection Act is located at Wash. Rev. Code §§ 19.100.010 to 19.100.940, the Franchise Disclosure Document for SystemForward America, LLC in connection with the offer and sale of franchises for use in the State of Washington shall be amended to include the following:

1. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following paragraphs at the conclusion of the Item:

The state of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

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

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

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.

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

**Use of Franchise Brokers.** The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees to ask them about their experience with the franchisor.

2. Each provision of this addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, is located at Wash. Rev. Code §§ 19.100.110 to 19.100.940, are met independently without reference to this addendum to the Disclosure Document.

## **STATE AMENDMENTS TO AGREEMENTS**

## **Hawaii Franchise Agreement Amendment**

In recognition of the requirements of Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., the parties to the attached System Forward America, LLC Franchise Agreement (the “Agreement”) agree as follows:

1. Section 11.01, under the heading “Transfer and Assignment,” is deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

(v) Franchisee must execute a general release of all claims, if any, it may have or believes it may have against Franchisor, excluding only such claims as Franchisee may have under the Hawaii Franchise Investment Law.

2. Section 13.00, under the heading “Obligations Upon Termination or Non-Renewal,” shall be amended by the addition of the following new paragraph 13.01 (vii), which shall be considered an integral part of the Agreement:

(vii) Notwithstanding anything to the contrary in this Section 13.00, Franchisor shall comply with Hawaii law which currently requires that Franchisor compensate Franchisee upon termination or refusal to renew the franchise for the fair market value, at the time of the termination or expiration of the franchise, of any inventory, supplies, equipment and furnishings which were purchased from Franchisor, or a supplier designated by Franchisor. Personalized materials which have no value to Franchisor need not be compensated for. If Franchisor refuses to renew a franchise for the purpose of converting Franchisee’s business to one owned and operated by Franchisor, Franchisor, in addition, must compensate Franchisee for the loss of goodwill. Franchisor may deduct reasonable costs incurred in removing, transporting and disposing of Franchisee’s inventory, supplies, equipment and furnishings pursuant to these requirements, and may offset any moneys due Franchisor.

4. This Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., are met independently without reference to this Amendment.

[Signature page to follow]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Hawaii amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**FRANCHISOR:** SYSTEMFORWARD AMERICA, LLC

By \_\_\_\_\_

Date \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
(Print Name)

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

## **Illinois Franchise Agreement Amendment**

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached SystemForward America, LLC Franchise Agreement (the “Agreement”) agree as follows:

1. Section 2.00 of the Agreement, under the heading “Term and Renewal,” shall be supplemented by the addition of the following new paragraph 2.03, which shall be considered an integral part of the Agreement:

2.03 If any of the provisions of this Section 2.00 are inconsistent with Section 20 of the Illinois Franchise Disclosure Act, the provisions of the Act shall apply. If Franchisor refuses to renew this Agreement, Franchisor shall compensate Franchisee if (and to the extent) such compensation is required under Section 20 of the Illinois Franchise Disclosure Act.

2. Section 12.00 of the Agreement, under the heading “Default and Termination,” shall be supplemented by the addition of the following new paragraph 12.05, which shall be considered an integral part of the Agreement:

12.05 If any of the provisions of this Section 12.00 concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act, then said Illinois law shall apply.

3. Section 18.01 of the Agreement, under the heading “Governing Law and Dispute Resolution,” shall be deleted in its entirety, and shall have no force or effect; and the following new paragraph shall be substituted in lieu thereof:

18.01. Franchisee hereby irrevocably submits any claim, dispute, suit, action, or proceeding which it may have arising out of or relating to this Agreement, or any of the transactions or documents contemplated by, referenced in, or related to this Agreement to the Judicial Authority nearest to Franchisor (Venue will always be as close to Franchisor as possible.); except as required under the laws of the State of Illinois, wherein this agreement shall be interpreted and construed exclusively under the laws of the State of Illinois (without regard to, and without giving effect to, the application of Illinois conflict-of-laws rules). Notwithstanding the foregoing, all issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the U.S. Arbitration Act, 9 U.S.C. Section 1, et seq., and the federal common law of arbitration. Nothing in this Section 18.01 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of Illinois to which it would not otherwise be subject.

4. Section 18.00 of the Agreement, under the heading “Governing Law and Dispute

Resolution,” shall be supplemented by the addition of the following new Section 18.04, which shall be considered an integral part of the Agreement:

18.04 Nothing contained in this Section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other Illinois law (as long as the jurisdictional requirements of the Illinois Franchise Disclosure Act are met).

5. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Illinois amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**FRANCHISOR:** SYSTEMFORWARD AMERICA, LLC

By \_\_\_\_\_

Date \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
(Print Name)

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

### Maryland Franchise Agreement Amendment

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law .705, the parties to the attached SystemForward America, LLC Franchise Agreement (the “Agreement”) agree as follows:

1. Section 16.00 of the Agreement, under the heading “Written Approvals, Waivers, Forms of Agreement and Amendment,” shall be supplemented by the addition of the following new paragraph:

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

2. Section 18.00 of the Agreement, under the heading “Governing Law and Dispute Resolution,” shall be supplemented by the addition of the following new paragraph:

18.04 Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed, and delivered this Maryland amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**FRANCHISOR:** SYSTEMFORWARD AMERICA, LLC

By \_\_\_\_\_

Date \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
(Print Name)

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_



## **Minnesota Franchise Agreement Amendment**

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached SystemForward America, LLC Franchise Agreement (the “Agreement”) agree as follows:

1. Section 2.00 of the Agreement, under the heading “Term and Renewal,” shall be supplemented by the addition of the following new paragraph:

2.03 Minnesota law provides franchisees with certain non-renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that a franchisee be given 180 days notice of non-renewal of the Franchise Agreement.

2. Section 5.00 of the Agreement, under the heading “Licensed Marks,” shall be amended by the addition of the following new paragraph 5.07:

5.07 Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), SystemForward America, LLC is required to protect any rights Franchisee may have to SystemForward America, LLC’s Proprietary Marks.

3. Section 11.01, under the heading “Transfer and Assignment,” is deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

(v) Franchisee must execute a general release of all claims, if any, it may have or believes it may have against Franchisor, excluding only such claims as the transferor may have under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

4. Section 11.00 of the Agreement, under the heading “Transfer and Assignment,” shall be supplemented by the addition of the following new paragraph 11.06:

11.06 Minnesota law provides franchisees with certain transfer rights. In sum, Minn. Stat. § 80C.14 (subd. 5) currently requires that consent to the transfer of the franchise may not be unreasonably withheld.

5. Section 12.00 of the Agreement, under the heading “Default and Termination,” shall be supplemented by the following new paragraph 12.05:

12.05 Minnesota law provides franchisees with certain termination rights. In sum, Minn. Stat. § 80C.14 (subd. 3) currently requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) of the Franchise Agreement.

6. Section 18.00 of the Agreement, under the heading “Governing Law and Dispute Resolution”, shall be supplemented by the following paragraph 18.04, which shall be considered an integral part of the Agreement:

18.04 Minn. Stat. § 80C.21 and Minn. Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights, as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. We may seek injunctive relief, but you cannot consent to our obtaining injunctive relief.

7. Each provision of this Agreement shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this addendum to the Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, and delivered this Minnesota amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**FRANCHISOR:** SYSTEMFORWARD AMERICA, LLC

By \_\_\_\_\_

Date \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
(Print Name)

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

### **New York Franchise Agreement Amendment**

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached SystemForward America, LLC Franchise Agreement (the “Agreement”) agree as follows:

1. Section 11.01, under the heading “Transfer and Assignment,” is deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

(v) Franchisee must execute a general release of all claims, if any, it may have or believes it may have against Franchisor, provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

2. Section 18.00 of the Agreement, under the heading “Governing Law and Dispute Resolution,” shall be supplemented by the addition of the following language:

Nothing in this Agreement should be considered a waiver of any right conferred upon Franchisee by New York General Business Law, Sections 680-695.

3. There are circumstances in which an offering made by SystemForward America, LLC would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if Franchisee is domiciled in or the franchise will be opening in New York. SystemForward America, LLC is required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

[Signature page to follow.]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**FRANCHISOR:** SYSTEMFORWARD AMERICA, LLC

By \_\_\_\_\_

Date \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

(Print Name)

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

### Rhode Island Franchise Agreement Amendment

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties to the attached SystemForward America, LLC Franchise Agreement (the “Agreement”) agree as follows:

1. Section 18.00 of the Agreement, under the heading “Governing Law and Dispute Resolution,” shall be supplemented by the addition of the following paragraph 18.04:

18.04 § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

2. This amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rhode Island amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**FRANCHISOR:** SYSTEMFORWARD AMERICA, LLC

By \_\_\_\_\_

Date \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_  
(Print Name)

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

## Washington Franchise Agreement Amendment

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, the parties to the attached SystemForward America, LLC Franchise Agreement agree as follows:

1. The state of Washington has a statute, RCW 19.100.180, which 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.
2. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, are met independently without reference to this amendment.
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.

[Signature page to follow.]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Washington amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**FRANCHISOR:** SYSTEMFORWARD AMERICA, LLC

By \_\_\_\_\_

Date \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

(Print Name)

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_



**EXHIBIT F**  
**LICENSED MARKS**

Int. Cl.: 42

Prior U.S. Cls.: 100 and 103

United States Patent and Trademark Office

Reg. No. 1,798,348

Registered Oct. 27, 1993

SERVICE MARK  
PRINCIPAL REGISTER

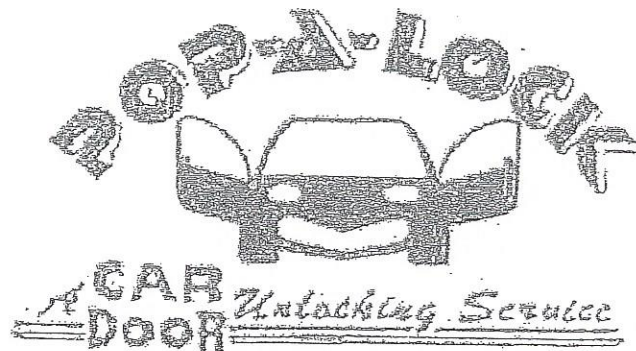


FIG. 1 CORPORATION (LOUISIANA CORPORATION)  
1164 WEST PINHOOK ROAD  
P.O. BOX 32454  
LAFAYETTE, LA 70503

FOR: VEHICLE DOOR UNLOCKING SERVICES, IN CLASS 42 (U.S. CLS. 100 AND 103).  
FIRST USE 11-10-1991. BY COMMERCE  
11-20-1991.

NO CLAIM IS MADE TO THE EXCLUSIVE  
RIGHT TO USE "A CAR DOOR UNLOCKING  
SERVICE", APART FROM THE MARK AS  
SHOWN.

SER. NO. 76-33,124, FILED 12-28-1992

ELIZABETH A. DUNN, EXAMINING ATTORNEY

Int. Cls.: 37, 40 and 45

Prior U.S. Cls.: 100, 101, 103 and 106

United States Patent and Trademark Office

Reg. No. 3,219,253

Registered Mar. 30, 2003

SERVICE MARK  
PRINCIPAL REGISTER



SYSTEMFORWARD AMERICA, INC. (COLIST-  
ANA CORPORATION)  
P.O. BOX 1204  
LAFAYETTE, LA 70505

FOR: EMERGENCY ROADSIDE ASSISTANCE  
SERVICES, IN CLASS 37 (U.S. CLS. 100, 101 AND 106)

FIRST USE 1-1-2003; IN COMMERCE 1-1-2003

FOR: LOCKSMITHING, NAMELY, CUSTOM  
FABRICATION OF KEYS AND LOCKS, IN CLASS  
43 (U.S. CLS. 100, 101 AND 106)

FIRST USE 1-1-2003; IN COMMERCE 1-1-2003

FOR: LOCKSMITHING, NAMELY, OPENING OF  
LOCKS ON VEHICLE DOORS, IN CLASS 43 (U.S.  
CLS. 100 AND 101)

FIRST USE 1-1-2003; IN COMMERCE 1-1-2003

OWNER OF U.S. PAT. NOS. 1,799,525, 2,314,002,  
AND 2,397,977

SBA NO. 76-60,059, FILED 7-18-2000

LINDA POWELL, EXAMINING ATTORNEY

Int. Cl.: 42

Prior U.S. Cls.: 100 and 101

United States Patent and Trademark Office

Reg. No. 2,314,000

Registered Feb. 1, 1990

SERVICE MARK  
PRINCIPAL REGISTER

POP-A-LOCK

SIO J CORPORATION, THE (LOUISIANA COR-  
PORATION)  
152 BAYKS AVENUE  
LAFAYETTE, LA 70506

FOR VEHICLE DOOR UNLOCKING SERVICE, IN  
CLASS 42 (U.S. CLS. 100 AND 101).

FIRST USE 11-30-1991, BY COMMERCE  
11-30-1991.

SER. NO. 73-595,083, FILED 11-30-1991

TRACY WHITAKER-BROWN, EXAMINING ATTOR-  
NEY

Int. Cl.: 42

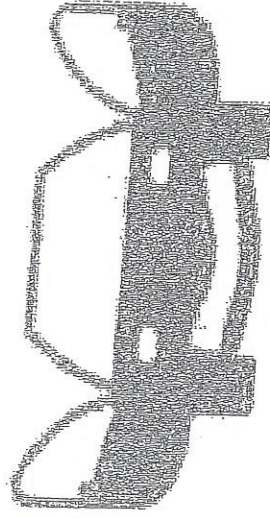
Prior U.S. Cls: 100 and 101

United States Patent and Trademark Office

Reg. No. 2,413,519

Issued Dec. 19, 2000

SERVICE MARK  
PRINCIPAL REGISTER



TO S CORPORATION, THE HONOLULU ECONOMIC  
DEVELOPMENT CORPORATION,  
LAWYERS, L.A. 90005

FOR VEHICLE DESIGN AND DEVELOPMENT SERVICES, IN  
CLASS 37 U.S. CL. 100 AND 101

FIRST USE 11-03-1991 IN CONGRESS

REG. NO. 2,413,519, FILED 12-14-99  
CAROL SMITH, EXAMINING ATTORNEY

Int. Cl.: 42

Prior U.S. Cls.: 100 and 101

United States Patent and Trademark Office

Reg. No. 2,597,977

Registered July 23, 2002

SERVICE MARK  
PRINCIPAL REGISTER



LSR GROUP, INC., THE (TEXAS CORPORATION)  
15423 NORTH FREEWAY  
SUITE 300  
HOUSTON, TX 77060

OWNER OF U.S. PAT. NOS. 1,798,443 AND  
1,314,000

FOR: VEHICLE DOOR UNLOCKING SERVICES,  
IN CLASS 42 (U.S. CLS. 100 AND 101).

SER. NO. 76-352,103, FILED 10-10-2001.

FIRST USE 10-1999, IN COMMERCE 10-1999.

DAVID MURRAY, EXAMINING ATTORNEY



Int. Cl.: 42

Prior U.S. Cls.: 100 and 101

United States Patent and Trademark Office

Reg. No. 2,567,194

Registered May 7, 2002

SERVICE MARK  
PRINCIPAL REGISTER



LSR GROUP, INC., THE (TEXAS CORPORATION)  
15425 NORTH FREEWAY, SUITE 300  
HOUSTON, TX 77090

FOR: VEHICLE DOOR UNLOCKING SERVICES,  
IN CLASS 42 (U.S. CLS. 100 AND 101).

FIRST USE 3-5-1998; IN COMMERCE 3-5-1998.

NO CLAIM IS MADE TO THE EXCLUSIVE  
RIGHT TO USE "EMERGENCY CAR DOOR UN-  
LOCKING" AND "FREE WHEN CHILD LOCKED  
INSIDE", APART FROM THE MARK AS SHOWN.

SER. NO. 76-239,318, FILED 4-11-2001.

KAREN BRACEY, EXAMINING ATTORNEY

# United States of America

United States Patent and Trademark Office

**The** **SECURITY**  
**P Professionals**  
**SITE SECURITY SOLUTIONS**

**Reg. No. 4,531,041**

**Registered May 13, 2014**

**Int. Cls.: 37, 40, and 45**

**SERVICE MARK**

**SUPPLEMENTAL REGISTER**

SYSTEMFORWARD AMERICA, INC. (LOUISIANA CORPORATION)  
P.O. BOX 52086  
LAFAYETTE, LA 70505

FOR: SECURITY SERVICES, NAMELY, INSTALLATION, REPAIR, MAINTENANCE, AND REPLACEMENT OF LOCKS, DOORS, DOOR COMPONENTS, DOOR HARDWARE, AND ALARM SYSTEMS, IN CLASS 37 (U.S. CLS. 100, 103 AND 106).

FIRST USE 1-31-2013; IN COMMERCE 1-31-2013.

FOR: SECURITY SERVICES, NAMELY, CUSTOM FABRICATION OF KEYS AND LOCKS, IN CLASS 40 (U.S. CLS. 100, 103 AND 106).

FIRST USE 1-31-2013; IN COMMERCE 1-31-2013.

FOR: SECURITY SERVICES, NAMELY, SECURITY INSPECTION SERVICES FOR OTHERS, IN CLASS 45 (U.S. CLS. 100 AND 101).

FIRST USE 1-31-2013; IN COMMERCE 1-31-2013.

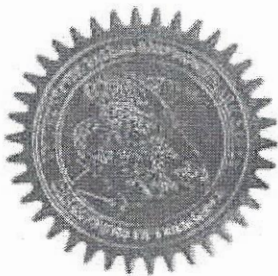
NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "SITE SECURITY" AND "SECURITY", APART FROM THE MARK AS SHOWN.

THE COLOR(S) ORANGE AND BLACK IS/ARE CLAIMED AS A FEATURE OF THE MARK.

THE MARK CONSISTS OF THE WORDS "THE SECURITY PROFESSIONALS", WITH THE WORD "SECURITY" IN ORANGE BLOCK LETTERS WITHIN A BLACK ENCLOSURE, ALL ABOVE TWO BLACK PARALLEL HORIZONTAL LINES ABOVE AND BELOW THE WORDS "SITE SECURITY SOLUTIONS" IN BLOCK LETTERS, IN COLOR BLACK. THE WORD "PROFESSIONALS" IS IN BLACK.

SER. NO. 85-857,575, FILED P.R. 2-22-2013; AM. S.R. 4-1-2014.

FLORENTINA BLANDU, EXAMINING ATTORNEY



*Michelle K. Lee*  
Deputy Director of the United States  
Patent and Trademark Office



# United States of America

United States Patent and Trademark Office

## AMERICA'S MOST TRUSTED TEAM OF LOCKSMITHS

**Reg. No. 4,466,643**

**Registered Jan. 14, 2014**

**Int. Cls.: 40 and 45**

**SERVICE MARK**

**PRINCIPAL REGISTER**

SYSTEMFORWARD AMERICA, INC. (LOUISIANA CORPORATION)  
P.O. BOX 52086  
LAFAYETTE, LA 70505

FOR: LOCKSMITHING, NAMELY, CUSTOM FABRICATION OF KEYS AND LOCKS, IN  
CLASS 40 (U.S. CLS. 100, 103 AND 106).

FIRST USE 8-0-2011; IN COMMERCE 8-0-2011.

FOR: LOCKSMITHING, NAMELY, OPENING LOCKS ON VEHICLE DOORS, IN CLASS 45  
(U.S. CLS. 100 AND 101).

FIRST USE 8-0-2011; IN COMMERCE 8-0-2011.

THE MARK CONSISTS OF STANDARD CHARACTERS WITHOUT CLAIM TO ANY PAR-  
TICULAR FONT, STYLE, SIZE, OR COLOR.

SER. NO. 86-045,301, FILED 8-22-2013.

DAVID TOOLEY, EXAMINING ATTORNEY



*Nichelle K. Lee*

Deputy Director of the United States  
Patent and Trademark Office

# United States of America

United States Patent and Trademark Office



Reg. No. 4,579,273

Registered Aug. 5, 2014

Int. Cl.: 45

SERVICE MARK

PRINCIPAL REGISTER

SYSTEMFORWARD AMERICA, INC. (LOUISIANA CORPORATION)  
P.O. BOX 52086  
LAFAYETTE, LA 70505

FOR: LOCKSMITHING, NAMELY, OPENING LOCKS ON VEHICLE DOORS, IN CLASS 45  
(U.S. CLS. 100 AND 101).

FIRST USE 8-29-2013; IN COMMERCE 8-29-2013.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "A FREE SERVICE", APART  
FROM THE MARK AS SHOWN.

THE COLOR(S) ORANGE, BLACK, YELLOW, RED, BROWN, TAN, GREEN, WHITE, AND  
PINK IS/ARE CLAIMED AS A FEATURE OF THE MARK.

THE MARK CONSISTS OF THE WORDING "PAL SAVES KIDS" IN BLACK BLOCK LETTERS  
SURROUNDED BY A YELLOW ENCLOSURE, AND THE WORDING "A FREE SERVICE  
SAVING KIDS IN LOCKED CARS" ALSO IN BLACK TO THE SIDE OF A TAN AND BROWN  
CARTOON DOG HAVING WHITE SPOTS ON ITS FOREHEAD, THE TIP OF ITS TAIL, AND  
AROUND ITS MOUTH; GREEN EYES; ONE EYE IS CIRCLED IN BROWN AND THEN RED  
LEADING INTO ORANGE, THE OTHER EYE IS CIRCLED ONLY IN ORANGE; A BROWN  
NOSE; AND A PINK SECTION ON THE INSIDE OF ITS EAR; THE DOG WEARING AN  
ORANGE SHIRT BEARING "PAL" IN BLACK BLOCK LETTERS SUPERIMPOSED OVER  
A YELLOW KEY, A YELLOW COLLAR HAVING A YELLOW KEY ATTACHED THERETO,  
ORANGE GLOVES TRIMMED IN YELLOW, A YELLOW BELT, ORANGE BOOTS, AND A  
YELLOW CAPE.

SER. NO. 86-130,875, FILED 11-27-2013.

ELLEN PERKINS, EXAMINING ATTORNEY



*Nichelle K. Lee*

Deputy Director of the United States  
Patent and Trademark Office

**EXHIBIT G**  
**FINANCIAL STATEMENTS**

# KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

Brad E. Kolder, CPA, JD\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
Arthur R. Mixon, CPA\*  
Stephen J. Anderson, CPA\*  
Matthew E. Margaglio, CPA\*  
Casey L. Ardoin, CPA, CFE\*  
Wanda F. Arcement, CPA  
Bryan K. Joubert, CPA  
Nicholas Fowlkes, CPA

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C. Burton Kolder, CPA\*  
Of Counsel

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Victor R. Slaven, CPA\* - retired 2020  
Christine C. Doucet, CPA – retired 2022

\* A Professional Accounting Corporation

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332 W. Sixth Ave.  
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Phone (337) 639-4737

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WWW.KCSRCPAS.COM

## CONSENT

Kolder, Slaven, & Company, LLC consents to the use in the Franchise Disclosure Document issued by SystemForward America, LLC (“Franchisor”) on July 26, 2022, as it may be amended, of our report dated March 18, 2022, related to the financial statements of Franchisor for the year ended December 31, 2021.

*Kolder, Slaven, & Company, LLC*  
Certified Public Accountants

Abbeville, Louisiana  
March 18, 2022

**SYSTEMFORWARD AMERICA, LLC**

Financial Report

Years Ended December 31, 2021 and 2020

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# KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
And Stockholders of  
SystemForward America, LLC  
Lafayette, Louisiana

### Opinion

We have audited the accompanying financial statements of SystemForward America, LLC (a Subchapter S Corporation), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SystemForward America, LLC as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Abbeville, Louisiana  
March 18, 2022



SYSTEMFORWARD AMERICA, LLC

Balance Sheets  
December 31, 2021 and 2020

| ASSETS                               | <u>2021</u>                | <u>2020</u>                |
|--------------------------------------|----------------------------|----------------------------|
| Current Assets:                      |                            |                            |
| Cash                                 | \$ 1,238,259               | \$ 771,885                 |
| Investments                          | 139,816                    | 132,564                    |
| Accounts receivable                  | 987,380                    | 778,061                    |
| Allowance for doubtful accounts      | (107,332)                  | (146,557)                  |
| Deferred costs - current portion     |                            |                            |
| Unamortized broker fees              | 473,205                    | 451,209                    |
| Unamortized area developer fees      | 71,151                     | 52,894                     |
| Notes receivable - current portion   |                            |                            |
| Franchisees                          | 80,261                     | 101,808                    |
| Employees                            | 6,054                      | 13,035                     |
| Due from affiliates                  | 228,692                    | 222,147                    |
| Inventory                            | 4,755                      | 14,593                     |
| Prepaid expenses                     | 520                        | 5,033                      |
| Other receivables                    | <u>4,111</u>               | <u>3,445</u>               |
| Total current assets                 | <u>3,126,872</u>           | <u>2,400,117</u>           |
| Property and equipment, net          | <u>43,615</u>              | <u>46,339</u>              |
| Other Assets:                        |                            |                            |
| Goodwill, net                        | 26,112                     | 29,445                     |
| Deferred costs - long term portion   |                            |                            |
| Unamortized broker fees              | 2,302,987                  | 2,249,203                  |
| Unamortized area developer fees      | 392,564                    | 295,201                    |
| Notes receivable - long term portion |                            |                            |
| Franchisees                          | 158,435                    | 267,174                    |
| Notes receivable - shareholder       | <u>-</u>                   | <u>200,000</u>             |
| Total other assets                   | <u>2,880,098</u>           | <u>3,041,023</u>           |
| Total assets                         | <u><u>\$ 6,050,585</u></u> | <u><u>\$ 5,487,479</u></u> |

(continued)

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

SYSTEMFORWARD AMERICA, LLC

Balance Sheets (Continued)  
December 31, 2021 and 2020

|                                                                              | <u>2021</u>         | <u>2020</u>         |
|------------------------------------------------------------------------------|---------------------|---------------------|
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                  |                     |                     |
| Current Liabilities:                                                         |                     |                     |
| Accounts payable                                                             | \$ 146,831          | \$ 27,482           |
| Accrued expenses                                                             | 229,311             | 393,653             |
| Note payable                                                                 | -                   | 244,630             |
| Deferred revenues                                                            | <u>1,332,718</u>    | <u>1,247,293</u>    |
| Total current liabilities                                                    | <u>1,708,860</u>    | <u>1,913,058</u>    |
| Long-term liabilities:                                                       |                     |                     |
| Deferred revenues                                                            | <u>6,735,426</u>    | <u>6,415,874</u>    |
| Total liabilities                                                            | <u>8,444,286</u>    | <u>8,328,932</u>    |
| Stockholders' Equity:                                                        |                     |                     |
| Common stock, no par value, 10,000 shares<br>authorized, 1,200 shares issued | 85,000              | 85,000              |
| Retained earnings                                                            | <u>(2,478,701)</u>  | <u>(2,926,453)</u>  |
| Total stockholders' equity                                                   | <u>(2,393,701)</u>  | <u>(2,841,453)</u>  |
| Total liabilities and stockholders' equity                                   | <u>\$ 6,050,585</u> | <u>\$ 5,487,479</u> |

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

SYSTEMFORWARD AMERICA, LLC

Statements of Income  
For the Years Ended December 31, 2021 and 2020

|                                             | <u>2021</u>             | <u>2020</u>             |
|---------------------------------------------|-------------------------|-------------------------|
| Revenues:                                   |                         |                         |
| Franchise fees                              | \$ 2,080,191            | \$ 1,530,768            |
| Royalty income                              | 3,974,762               | 3,424,343               |
| Sales of tools, uniforms and supplies       | 23,992                  | 21,745                  |
| Management fees                             | 116,713                 | 117,803                 |
| Franchise training income                   | 27,830                  | 23,525                  |
| Other                                       | <u>78,596</u>           | <u>49,813</u>           |
| <br>Total revenues                          | <br>6,302,084           | <br>5,167,997           |
| <br>Operating expenses                      | <br><u>4,324,825</u>    | <br><u>3,512,286</u>    |
| <br>Operating income                        | <br><u>1,977,259</u>    | <br><u>1,655,711</u>    |
| Other income (expenses):                    |                         |                         |
| Interest and dividend income                | 5,209                   | 5,735                   |
| Realized and unrealized gain on investments | 8,161                   | 9,983                   |
| Interest expense                            | -                       | (45)                    |
| Other income                                | 489,260                 | -                       |
| Other expense                               | <u>(132,137)</u>        | <u>(11,880)</u>         |
| <br>Total other income (expense)            | <br><u>370,493</u>      | <br><u>3,793</u>        |
| <br>Net income                              | <br><u>\$ 2,347,752</u> | <br><u>\$ 1,659,504</u> |

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

SYSTEMFORWARD AMERICA, LLC

Statements of Changes in Stockholders' Equity  
For the Years Ended December 31, 2021 and 2020

|                                      | Common<br>Stock  | Retained<br>Earnings  | Total<br>Stockholders'<br>Equity |
|--------------------------------------|------------------|-----------------------|----------------------------------|
| Balance, December 31, 2019           | \$ 85,000        | \$ (2,885,957)        | \$ (2,800,957)                   |
| Net income                           | -                | 1,659,504             | 1,659,504                        |
| Dividends paid                       | <u>-</u>         | <u>(1,700,000)</u>    | <u>(1,700,000)</u>               |
| Balance, December 31, 2020, restated | \$ 85,000        | \$ (2,926,453)        | \$ (2,841,453)                   |
| Net income                           | -                | 2,347,752             | 2,347,752                        |
| Dividends paid                       | <u>-</u>         | <u>(1,900,000)</u>    | <u>(1,900,000)</u>               |
| Balance, December 31, 2021           | <u>\$ 85,000</u> | <u>\$ (2,478,701)</u> | <u>\$ (2,393,701)</u>            |

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

SYSTEMFORWARD AMERICA, LLC

Statements of Cash Flows  
For the Years Ended December 31, 2021 and 2020

|                                                                                       | <u>2021</u>         | <u>2020</u>        |
|---------------------------------------------------------------------------------------|---------------------|--------------------|
| Cash Flows From Operating Activities:                                                 |                     |                    |
| Net income                                                                            | \$ 2,347,752        | \$ 1,659,504       |
| Adjustments to reconcile net income to<br>net cash provided by operating activities - |                     |                    |
| Depreciation and amortization                                                         | 10,827              | 9,169              |
| Realized and unrealized gains                                                         | (8,161)             | (9,983)            |
| Provision for bad debts                                                               | 43,595              | (24,674)           |
| Paycheck protection loan forgiveness                                                  | (489,260)           | -                  |
| (Increase) decrease in assets:                                                        |                     |                    |
| Accounts and notes receivable                                                         | (155,538)           | 155,421            |
| Due from affiliates                                                                   | (6,545)             | (52,580)           |
| Deferred costs                                                                        | (191,400)           | (32,821)           |
| Inventory                                                                             | 9,838               | 11,218             |
| Prepaid expenses                                                                      | 4,513               | (1,710)            |
| Increase (decrease) in liabilities:                                                   |                     |                    |
| Accounts payable                                                                      | 119,349             | (12,489)           |
| Accrued expenses                                                                      | (164,342)           | 148,788            |
| Deferred revenues                                                                     | <u>404,977</u>      | <u>(366,710)</u>   |
| Net cash provided by operating activities                                             | <u>1,925,605</u>    | <u>1,483,133</u>   |
| Cash Flows From Investing Activities:                                                 |                     |                    |
| Purchase of property and equipment                                                    | (4,770)             | (8,156)            |
| Proceeds of marketable securities                                                     | <u>909</u>          | <u>48</u>          |
| Net cash flows used by investing activities                                           | <u>(3,861)</u>      | <u>(8,108)</u>     |
| Cash Flows From Financing Activities:                                                 |                     |                    |
| Advances (repayments) to shareholder                                                  | 200,000             | -                  |
| Proceeds from issuance of debt                                                        | 244,630             | 244,630            |
| Distributions to stockholders                                                         | <u>(1,900,000)</u>  | <u>(1,700,000)</u> |
| Net cash flows used by financing activities                                           | <u>(1,455,370)</u>  | <u>(1,455,370)</u> |
| Change in cash                                                                        | 466,374             | 19,655             |
| Cash, beginning of year                                                               | <u>771,885</u>      | <u>752,230</u>     |
| Cash, end of year                                                                     | <u>\$ 1,238,259</u> | <u>\$ 771,885</u>  |
| Supplemental information:                                                             |                     |                    |
| Interest paid                                                                         | <u>\$ -</u>         | <u>\$ 45</u>       |
| Paycheck protection forgiveness                                                       | <u>\$ 489,260</u>   | <u>\$ -</u>        |
| The accompanying notes are an integral part of these financial statements.            |                     |                    |

## SYSTEMFORWARD AMERICA, LLC

### Notes to Financial Statements

#### (1) Organization

The Company has the exclusive right and authority to license the registered trademarks formally owned by Sig 5 Corporation including Pop-A-Lock, a door unlocking service. The Company sells the rights to operate a Pop-A-Lock franchise location for an initial franchise fee plus a royalty interest based upon the gross sales of the franchise. The Company also provides training and tool kits to the franchisees for a fee.

In 2014, the Company began marketing franchises for TemperaturePro, a turnkey system for heating, ventilation, and air conditioning services. The Company sells the rights to operate a TemperaturePro franchise for an initial franchise fee plus a royalty interest based upon the gross sales of the franchise. The Company also provides training for a fee.

In 2019, the Company began marketing franchises for PlumbingPro System, a turnkey system for plumbing and drains, water damage restoration, water heaters and sewage tanks. The Company sells the rights to operate a PlumbingPro System franchise for an initial franchise fee plus a royalty interest based upon the gross sales of the franchise. The company also provides training for a fee.

#### (2) Summary of Significant Accounting Policies

##### A. Basis of Presentation

This summary of significant accounting policies of SystemForward America, LLC (the "Company") is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

The Company maintains its records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States if America.

##### B. Cash flows

For the purpose of the statement of cash flows, the Company considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents.

##### C. Marketable securities

The Company invests in marketable securities. Such securities are classified as trading securities and are recorded at fair value on the balance sheet with the change in market value recognized in income during the year. As of December 31, 2021 and 2020, marketable securities consists of mutual funds (equities and fixed income).

## SYSTEMFORWARD AMERICA, LLC

### Notes to Financial Statements

D. Trade accounts and notes receivable

An allowance for anticipated losses on trade accounts and notes receivable, primarily for royalty receivables from franchisees, are recorded at the balance sheet dates. The allowance for doubtful accounts is maintained at a level that is considered adequate by management to absorb potential credit losses based on customer credit information, historical performance, and projected economic trends. Receivables are written-off when deemed uncollectible which occurs after management has used reasonable collection efforts.

E. Inventory

Inventories consist primarily of tool kits and logo apparel and are stated at the lower of cost (first-in, first-out) or market value.

F. Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

|                         |            |
|-------------------------|------------|
| Vehicle                 | 5 years    |
| Machinery and Equipment | 3-10 years |
| Furniture and Fixtures  | 5-10 years |

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are expensed as incurred. The cost and related accumulated depreciation of property and equipment disposed of are eliminated from the accounts, and any resulting gain or loss is recognized.

G. Goodwill

The Company amortizes goodwill on a straight-line basis over a 15-year useful life and only evaluates goodwill for impairment at the entity level when a triggering event occurs.

H. Revenue Recognition

The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective locations and continuing royalty fees on a monthly basis based upon a percentage of franchisee sales. The initial term of franchise agreements are typically 10 years. Subject to the Company's approval, a franchisee may generally renew the franchise agreement upon its expiration. If approved, a franchisee may transfer a franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid by the assignee. The assignee assumes all duties, obligations, and liabilities of the franchisee. They assume the

## SYSTEMFORWARD AMERICA, LLC

### Notes to Financial Statements

original franchise agreement which shall expire on the initial expiration date. If a contract is terminated prior to its term, all sums owed to the Franchisor become due immediately.

Under the terms of the franchise agreements, the Company promised to provide franchise rights, pre-opening services such as franchisee and sales training, and ongoing support. Prior to the adoption of Topic 606, initial franchise fees paid by the franchisees were recognized as revenue in their entirety when the agreement was made. Upon adoption of Topic 606 on January 1, 2019, the Company determined that franchise rights, franchisee and sales/employee training and ongoing support represented two separate performance obligations. The franchise rights, and ongoing support is deemed one performance obligation which is covered by the initial franchise fee paid. Revenue from the franchise fee is recognized on a straight-line basis over the duration of the agreement to ensure that the revenue recognition aligns with the customer's access to the franchise rights. The Company determined that sales/employee training is one performance obligation that is offered by the franchisor for an additional cost to their employees and sales representatives. Revenue for sales/employee training is recognized when training is complete.

Franchise fees that are payable over intervals which exceed one year and have no provision for interest are discounted at an imputed interest rate. Broker fees incurred which are related to franchisee fees are payable as franchise fees are collected and recorded utilizing similar accounting treatment for presentation in the financial statements. At December 31, 2021 and 2020, \$0 and \$0, respectively, was included in deferred revenues related to franchise fees receivables on the initial franchise fees.

Royalty income is recognized during the respective franchise agreement based on the royalties earned each month as the underlying franchisees sales occur. Adoption of Topic 606 did not change when the royalty revenue is recognized.

#### I. Use of Estimates

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

#### J. Income Taxes

The Company, with the consent of its stockholders, has elected under the Internal Revenue Service Code to be a Small Business Corporation, an "S" corporation. In lieu of corporation income taxes, the stockholder of an "S" corporation is taxed on his proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company's shareholders will not be subject to



## SYSTEMFORWARD AMERICA, LLC

### Notes to Financial Statements

additional tax, penalties, and interest as a result of such challenge. Generally, the Company's tax returns remain open for three years for federal and state income tax examination.

#### K. Advertising Funds

Franchise agreements require the franchisee to pay continuing marketing fees on a monthly basis, based on a percentage of franchisee sales. The advertising fees are to be used only for advertising the Pop-A-Lock System, Temperature ProSystem, and the Plumbing Pro System to the general public. The Company expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2021 and 2020 was \$204,491 and \$180,641, respectively.

In 2018, the Company adopted Accounting Standards Update (ASU) 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance Variable Interest Entities*, which allows a private company (reporting entity) to elect not to apply variable interest entity guidance to legal entities under common control (including common control leasing arrangements) if both the parent and the legal entity being evaluated for consolidation are not public business entities. The advertising funds are separate legal entities under common ownership. The advertising funds are administered by board members made up of franchisees. The advertising funds are not reflected in the financial statements.

#### (3) Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, marketable securities, and receivables.

The Company places its cash and cash equivalents with sound financial institutions. At times, such amounts may be in excess of FDIC insurance limits. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2021, uninsured cash balances total \$994,472.

Franchisees are generally dispersed by geographical locations, but all operate in similar lines of business.

#### (4) Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate the fair value:

##### Cash and cash equivalents

The carrying amount approximates fair value.

## SYSTEMFORWARD AMERICA, LLC

### Notes to Financial Statements

#### Marketable securities

Marketable securities are carried at estimated fair value within the financial statements.

In accordance with FASB ASC 820-10-50-1, the Company groups assets and financial liabilities measured at fair value on a recurring basis in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine the fair value. These levels are:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes securities that are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. For example, municipal securities valuations are based on markets that are currently offering similar financial products. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projects in determining the fair value assigned to such assets or liabilities.

Marketable securities as of December 31, 2021 and 2020 are considered Level 1.

#### (5) Contract Balances

Contract assets include accounts receivable, franchise fees receivable, notes receivable and deferred costs related to broker and area developer fees. Accounts receivable represent monthly royalty payments that are billed and unbilled receivables due as of December 31, 2021 and 2020. Franchise fees receivable include balances owed on the initial franchise fee charged as of December 31, 2021 and 2020. Notes receivables include financial obligations from various franchisees for royalties as of December 31, 2021 and 2020. Deferred broker and area developer fees are costs that are related to ongoing contract rights and fees that are being straight lined over the contract life.

Contract liabilities include deferred franchise fees that are being recognized on a straight-line basis over the life of the franchise agreement.

# SYSTEMFORWARD AMERICA, LLC

## Notes to Financial Statements

The beginning and ending contract assets and contract liabilities consists of the following as of December 31:

|                                             | 2021                | 2020                | 2019                |
|---------------------------------------------|---------------------|---------------------|---------------------|
| Assets:                                     |                     |                     |                     |
| Accounts receivable                         | \$ 987,380          | \$ 778,061          | \$ 971,834          |
| Franchise fee receivable                    | -                   | -                   | 15,500              |
| Notes receivable, franchisees - current     | 80,261              | 101,808             | 79,421              |
| Notes receivable, franchisees - non-current | 158,435             | 267,174             | 254,581             |
| Deferred costs - current                    | 544,356             | 504,103             | 535,424             |
| Deferred costs - non-current                | <u>2,695,551</u>    | <u>2,544,404</u>    | <u>2,480,262</u>    |
| Total contract assets                       | <u>\$ 4,465,983</u> | <u>\$ 4,195,550</u> | <u>\$ 4,337,022</u> |
| Liabilities:                                |                     |                     |                     |
| Deferred revenue - current                  | \$ 1,332,718        | \$ 1,247,293        | \$ 1,392,051        |
| Deferred revenue - long term                | <u>6,735,426</u>    | <u>6,415,874</u>    | <u>6,637,826</u>    |
| Total contract liabilities                  | <u>\$ 8,068,144</u> | <u>\$ 7,663,167</u> | <u>\$ 8,029,877</u> |

The future recognition of deferred franchise fees and unamortized costs to be recognized related to performance obligations that are unsatisfied as of December 31, 2021 is as follows:

|                 | Unamortized<br>Costs | Deferred<br>Franchise Fees |
|-----------------|----------------------|----------------------------|
| 2022            | \$ 544,355           | \$ 1,332,718               |
| 2023            | 499,655              | 1,210,339                  |
| 2024            | 460,507              | 1,100,981                  |
| 2025            | 447,776              | 1,066,689                  |
| 2026            | 404,179              | 980,998                    |
| 2027-thereafter | <u>883,435</u>       | <u>2,376,419</u>           |
|                 | <u>\$ 3,239,907</u>  | <u>\$ 8,068,144</u>        |

# SYSTEMFORWARD AMERICA, LLC

## Notes to Financial Statements

The following table presents disaggregation of revenue from contracts with customers for the years ended December 31:

|                                                    | <u>2021</u>         | <u>2020</u>         |
|----------------------------------------------------|---------------------|---------------------|
| Performance obligations satisfied over time:       |                     |                     |
| Franchise fees, net                                | <u>\$ 2,080,191</u> | <u>\$ 1,530,768</u> |
| Performance obligations satisfied at a point time: |                     |                     |
| Royalty income                                     | 3,974,762           | 3,424,343           |
| Sales of tolls, uniforms, and supplies             | 23,992              | 21,745              |
| Management fees                                    | 116,713             | 117,803             |
| Franchise training income                          | 27,830              | 23,525              |
| Rebates                                            | 75,440              | 45,650              |
| Finance charges                                    | <u>3,156</u>        | <u>4,163</u>        |
|                                                    | <u>4,221,893</u>    | <u>3,637,229</u>    |
| Total revenue                                      | <u>\$ 6,302,084</u> | <u>\$ 5,167,997</u> |

### (6) Notes Receivable

#### A. Franchisees -

At December 31, 2021 and 2020, the Company has obligations from various franchisees' for royalties. Obligations accrue interest at 2.9% and are due in monthly installments aggregating approximately \$7,948, including interest. Amounts due as of December 31, 2021 are as follows:

|                      |                   |
|----------------------|-------------------|
| 2022                 | \$ 80,261         |
| 2023                 | 67,911            |
| 2024                 | 46,070            |
| 2025                 | 23,601            |
| 2026                 | <u>20,852</u>     |
| Total                | \$ 238,695        |
| Less current portion | <u>(80,261)</u>   |
| Non-current portion  | <u>\$ 158,434</u> |

# SYSTEMFORWARD AMERICA, LLC

## Notes to Financial Statements

### B. Officer -

The Company has notes receivable from an officer and shareholder in the amount of \$0 and \$200,000 at December 31, 2021 and 2020, respectively.

### C. Employees –

The Company made loans to a few employees. These obligations accrue interest at 2.3% and are due in aggregate semi-monthly installments of \$511, including interest, and such payments are made through payroll deductions. Amounts due as of December 31, 2021 are as follows:

|      |                 |
|------|-----------------|
| 2022 | <u>\$ 6,054</u> |
|------|-----------------|

### (7) Property and Equipment

Property and equipment are summarized as follows:

|                                | <u>2021</u>      | <u>2020</u>      |
|--------------------------------|------------------|------------------|
| Vehicles                       | \$ 33,255        | \$ 33,255        |
| Furniture and office equipment | <u>126,934</u>   | <u>122,164</u>   |
|                                | 160,189          | 155,419          |
| Less accumulated depreciation  | <u>(116,574)</u> | <u>(109,080)</u> |
| Property and equipment, net    | <u>\$ 43,615</u> | <u>\$ 46,339</u> |

Depreciation expense amounted to \$7,494 and \$5,836 in 2021 and 2020, respectively.

### (8) Goodwill

During the year ended December 31, 2021 and 2020, no triggering events occurred requiring impairment testing and thus, no impairment loss was recorded. Accumulated amortization as of December 31, 2021 and 2020 was \$23,888 and \$20,555, respectively. Amortization expense for the year ended December 31, 2021 and 2020 was \$3,333, respectively. Amortization expense will be recognized as follows:

|           |                  |
|-----------|------------------|
| 2022      | \$ 3,333         |
| 2023      | 3,333            |
| 2024      | 3,333            |
| 2025      | 3,333            |
| 2026      | 3,333            |
| 2027-2029 | <u>9,447</u>     |
|           | <u>\$ 26,112</u> |

## SYSTEMFORWARD AMERICA, LLC

### Notes to Financial Statements

#### (9) Long-term Debt

On April 7, 2020, the Company borrowed \$244,630 under the paycheck protection program as enacted as part of the Coronavirus Aid Relief and Economic Security Act and administered by the U.S. Small Business Administration (SBA). The Company applied to lender for loan forgiveness of the full amount or portion of the principal amount of this loan, in accordance with the terms of the CARES Act, beginning no earlier than eight weeks after the date of the loan and ending sixty days prior to the maturity date of the loan. The maximum amount eligible for forgiveness was based on the amount of payroll costs, mortgage interest, rent expenses, and utilities expenses paid by the Company during the eight weeks period following the date of the loan.

On January 27, 2021, the Company borrowed \$244,630 under the paycheck protection program. Both loans were forgiven by the SBA during 2021. The proceeds are reported in other income on the statements of income.

#### (10) Operating Leases

The Company entered into a three-year lease agreement for the rental of office space with the lease set to mature on December 31, 2021. Total rent due in 2020 (year 2) and in 2021 (year 3) was \$6,083 per month with a consumer price index (CPI) increase in year 3 not to exceed \$200 per month. Total rent expense included in total operating expenses at December 31, 2021 and 2020 was \$73,872 and \$72,996, respectively.

The Company pays rent in the amount of \$3,500 per month for the use of training buildings. There is no formal signed agreement. Total rent expense included in total operating expenses at December 31, 2021 and 2020 was \$42,000, respectively.

#### (11) Management Fees

Franchise agreements require the franchisees to pay continuing marketing fees on a monthly basis, based on a percentage of franchisee sales. The fees collected are to be used only for advertising the Pop-A-Lock System, TemperaturePro System, and PlumbingPro System to the general public. The advertising funds are held in separate legal entities under common ownership. The funds in the advertising funds are administered by board members made up of franchisees. The advertising funds cannot be used by the company and are not reflected in the financial statements.

The Company charges a management fee to the funds, allowable in the franchise agreements, that is subject to a maximum of 15% of the funds per year to recover a portion of its operating expenses. Total management fees charged to the advertising funds in December 31, 2021 and 2020 were \$116,713 and \$117,803, respectively.

At December 31, 2021 and 2020, the advertising funds owed the Company \$228,692 and \$222,147, respectively, and is included in the due from affiliates' line item on the balance sheets.

## SYSTEMFORWARD AMERICA, LLC

### Notes to Financial Statements

(12) Other Related Party Transactions

The Company pays a consulting fee of \$10,000 per month to an entity owned by one of the Company's shareholders. Consulting fees of \$120,000 were paid to the related party during each of the years ended December 31, 2021 and 2020.

(13) Commitments and Contingencies

At various time during the year, the Company may be involved in disputes with franchisees that arise in the ordinary course of business. In some instances, the Company returns the initial franchise fees paid and is ordered to pay out additional amounts. Total franchise fees returned during 2021 and 2020 was \$0 and \$422,244, respectively and is recorded against franchise fee revenue. Any amounts paid out in addition to the initial franchise fee returned is recorded as other expense on the statements of income. Additional payments of \$130,000 and \$10,000 were included in other expense during the year ended December 31, 2021 and 2020, respectively.

(14) Subsequent Event Review

The Company has evaluated subsequent events through March 18, 2022, the date the financial statements were available to be issued.

(15) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) intended to improve financial reporting regarding leasing transactions. The new standard affects all companies and organizations that lease assets. The standard will require organizations to recognize on the statement of financial condition the assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative and quantitative disclosures providing additional information about the amounts recorded in the financial statements. The amendments in this update are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company is evaluating the potential impact of the amendment on the Company's financial statements.

# KOLDER, SLAVEN & COMPANY, LLC

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## CONSENT

Kolder, Slaven, & Company, LLC consents to the use in the Franchise Disclosure Document issued by SystemForward America, LLC ("Franchisor") on June 1, 2021, as it may be amended, of our report dated March 17, 2021, related to the financial statements of Franchisor for the year ended December 31, 2020.

*Kolder, Slaven, & Company, LLC*  
Certified Public Accountants

Abbeville, Louisiana  
June 1, 2021



**SYSTEMFORWARD AMERICA, LLC**

Financial Report

Years Ended December 31, 2020 and 2019

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# KOLDER, SLAVEN & COMPANY, LLC

## CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
And Stockholders of  
SystemForward America, LLC  
Lafayette, Louisiana

We have audited the accompanying financial statements of SystemForward America, LLC (a Subchapter S Corporation), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SystemForward America, LLC as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Abbeville, Louisiana  
March 17, 2021

SYSTEMFORWARD AMERICA, LLC

Balance Sheets  
December 31, 2020 and 2019

|                                      | 2020                | 2019                |
|--------------------------------------|---------------------|---------------------|
| ASSETS                               |                     |                     |
| Current Assets:                      |                     |                     |
| Cash                                 | \$ 771,885          | \$ 752,230          |
| Investments                          | 132,564             | 122,629             |
| Accounts receivable                  | 778,061             | 971,834             |
| Franchise fees receivable            | -                   | 15,500              |
| Allowance for doubtful accounts      | (146,557)           | (194,550)           |
| Deferred costs - current portion     |                     |                     |
| Unamortized broker fees              | 451,209             | 482,530             |
| Unamortized area developer fees      | 52,894              | 52,894              |
| Notes receivable - current portion   |                     |                     |
| Franchisees                          | 101,808             | 79,421              |
| Employees                            | 13,035              | 14,847              |
| Due from affiliates                  | 222,147             | 169,567             |
| Inventory                            | 14,593              | 25,811              |
| Prepaid expenses                     | 5,033               | 3,323               |
| Other receivables                    | 3,445               | 773                 |
| Total current assets                 | <u>2,400,117</u>    | <u>2,496,809</u>    |
| Property and equipment, net          | <u>46,339</u>       | <u>44,019</u>       |
| Other Assets:                        |                     |                     |
| Goodwill, net                        | 29,445              | 32,778              |
| Deferred costs - long term portion   |                     |                     |
| Unamortized broker fees              | 2,249,203           | 2,132,167           |
| Unamortized area developer fees      | 295,201             | 348,095             |
| Notes receivable - long term portion |                     |                     |
| Franchisees                          | 267,174             | 254,580             |
| Employees                            | -                   | 5,308               |
| Notes receivable - shareholder       | <u>200,000</u>      | <u>200,000</u>      |
| Total other assets                   | <u>3,041,023</u>    | <u>2,972,928</u>    |
| Total assets                         | <u>\$ 5,487,479</u> | <u>\$ 5,513,756</u> |

(continued)

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

SYSTEMFORWARD AMERICA, LLC

Balance Sheets (Continued)  
December 31, 2020 and 2019

|                                                                              | <u>2020</u>         | <u>2019</u>         |
|------------------------------------------------------------------------------|---------------------|---------------------|
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                  |                     |                     |
| Current Liabilities:                                                         |                     |                     |
| Accounts payable                                                             | \$ 27,482           | \$ 39,971           |
| Accrued expenses                                                             | 393,653             | 244,865             |
| Note payable                                                                 | 244,630             | -                   |
| Deferred revenues                                                            | <u>1,247,293</u>    | <u>1,392,051</u>    |
| Total current liabilities                                                    | <u>1,913,058</u>    | <u>1,676,887</u>    |
| Long-term liabilities:                                                       |                     |                     |
| Deferred revenues                                                            | <u>6,415,874</u>    | <u>6,637,826</u>    |
| Total liabilities                                                            | <u>8,328,932</u>    | <u>8,314,713</u>    |
| Stockholders' Equity:                                                        |                     |                     |
| Common stock, no par value, 10,000 shares<br>authorized, 1,200 shares issued | 85,000              | 85,000              |
| Retained earnings                                                            | <u>(2,926,453)</u>  | <u>(2,885,957)</u>  |
| Total stockholders' equity                                                   | <u>(2,841,453)</u>  | <u>(2,800,957)</u>  |
| Total liabilities and stockholders' equity                                   | <u>\$ 5,487,479</u> | <u>\$ 5,513,756</u> |

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

SYSTEMFORWARD AMERICA, LLC

Statements of Income  
For the Years Ended December 31, 2020 and 2019

|                                             | <u>2020</u>             | <u>2019</u>             |
|---------------------------------------------|-------------------------|-------------------------|
| Revenues:                                   |                         |                         |
| Franchise fees                              | \$ 1,530,768            | \$ 1,836,166            |
| Royalty income                              | 3,424,343               | 3,709,540               |
| Sales of tools, uniforms and supplies       | 21,745                  | 26,423                  |
| Management fees                             | 117,803                 | 127,419                 |
| Franchise training income                   | 23,525                  | 80,260                  |
| Other                                       | <u>49,813</u>           | <u>22,268</u>           |
| <br>Total revenues                          | <br>5,167,997           | <br>5,802,076           |
| <br>Operating expenses                      | <br><u>3,512,286</u>    | <br><u>4,310,987</u>    |
| <br>Operating income                        | <br><u>1,655,711</u>    | <br><u>1,491,089</u>    |
| Other income (expenses):                    |                         |                         |
| Interest and dividend income                | 5,735                   | 5,677                   |
| Realized and unrealized gain on investments | 9,983                   | 15,280                  |
| Interest expense                            | (45)                    | (199)                   |
| Other expense                               | <u>(11,880)</u>         | <u>-</u>                |
| <br>Total other income (expense)            | <br><u>3,793</u>        | <br><u>20,758</u>       |
| <br>Net income                              | <br><u>\$ 1,659,504</u> | <br><u>\$ 1,511,847</u> |

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

SYSTEMFORWARD AMERICA, LLC

Statements of Changes in Stockholders' Equity  
For the Years Ended December 31, 2020 and 2019

|                                        | Common<br>Stock  | Retained<br>Earnings  | Total<br>Stockholders'<br>Equity |
|----------------------------------------|------------------|-----------------------|----------------------------------|
| Balance, December 31, 2018             | \$ 85,000        | \$ 2,469,065          | \$ 2,554,065                     |
| Adoption of ASU No. 2014-09, Topic 606 | -                | (4,766,869)           | (4,766,869)                      |
| Net income, restated                   | -                | 1,511,847             | 1,511,847                        |
| Dividends paid                         | <u>-</u>         | <u>(2,100,000)</u>    | <u>(2,100,000)</u>               |
| Balance, December 31, 2019, restated   | \$ 85,000        | \$ (2,885,957)        | \$ (2,800,957)                   |
| Net income                             | -                | 1,659,504             | 1,659,504                        |
| Dividends paid                         | <u>-</u>         | <u>(1,700,000)</u>    | <u>(1,700,000)</u>               |
| Balance, December 31, 2020             | <u>\$ 85,000</u> | <u>\$ (2,926,453)</u> | <u>\$ (2,841,453)</u>            |

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



SYSTEMFORWARD AMERICA, LLC

Statements of Cash Flows  
For the Years Ended December 31, 2020 and 2019

|                                                                                       | <u>2020</u>        | <u>2019</u>        |
|---------------------------------------------------------------------------------------|--------------------|--------------------|
| Cash Flows From Operating Activities:                                                 |                    |                    |
| Net income                                                                            | \$ 1,659,504       | \$ 1,511,847       |
| Adjustments to reconcile net income to<br>net cash provided by operating activities - |                    |                    |
| Depreciation and amortization                                                         | 9,169              | 9,076              |
| Realized and unrealized gains                                                         | (9,983)            | (15,280)           |
| Provision for bad debts                                                               | (24,674)           | 227,292            |
| (Increase) decrease in assets:                                                        |                    |                    |
| Accounts and notes receivable                                                         | 155,421            | (18,270)           |
| Management fees receivable                                                            | (52,580)           | (92,012)           |
| Deferred costs                                                                        | (32,821)           | 589,644            |
| Inventory                                                                             | 11,218             | 10,552             |
| Prepaid expenses                                                                      | (1,710)            | (65)               |
| Increase (decrease) in liabilities:                                                   |                    |                    |
| Accounts payable                                                                      | (12,489)           | (16,081)           |
| Accrued expenses                                                                      | 148,788            | 87,015             |
| Deferred revenues                                                                     | <u>(366,710)</u>   | <u>(407,494)</u>   |
| Net cash provided by operating activities                                             | <u>1,483,133</u>   | <u>1,886,224</u>   |
| Cash Flows From Investing Activities:                                                 |                    |                    |
| Purchase of property and equipment                                                    | (8,156)            | (5,950)            |
| Proceeds of marketable securities                                                     | <u>48</u>          | <u>(778)</u>       |
| Net cash flows used by investing activities                                           | <u>(8,108)</u>     | <u>(6,728)</u>     |
| Cash Flows From Financing Activities:                                                 |                    |                    |
| Advances (repayments) to shareholder                                                  | -                  | 20,000             |
| Proceeds from issuance of debt                                                        | 244,630            | -                  |
| Distributions to stockholders                                                         | <u>(1,700,000)</u> | <u>(2,100,000)</u> |
| Net cash flows used by financing activities                                           | <u>(1,455,370)</u> | <u>(2,080,000)</u> |
| Change in cash                                                                        | 19,655             | (200,504)          |
| Cash, beginning of year                                                               | <u>752,230</u>     | <u>952,734</u>     |
| Cash, end of year                                                                     | <u>\$ 771,885</u>  | <u>\$ 752,230</u>  |
| Supplemental information:                                                             |                    |                    |
| Interest paid                                                                         | <u>\$ 45</u>       | <u>\$ 199</u>      |

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

## SYSTEMFORWARD AMERICA, LLC

### Notes to Financial Statements

#### (1) Organization

The Company has the exclusive right and authority to license the registered trademarks formally owned by Sig 5 Corporation including Pop-A-Lock, a door unlocking service. The Company sells the rights to operate a Pop-A-Lock franchise location for an initial franchise fee plus a royalty interest based upon the gross sales of the franchise. The Company also provides training and tool kits to the franchisees for a fee.

In 2014, the Company began marketing franchises for TemperaturePro, a turnkey system for heating, ventilation, and air conditioning services. The Company sells the rights to operate a TemperaturePro franchise for an initial franchise fee plus a royalty interest based upon the gross sales of the franchise. The Company also provides training for a fee.

In 2019, the Company began marketing franchises for PlumbingPro System, a turnkey system for plumbing and drains, water damage restoration, water heaters and sewage tanks. The Company sells the rights to operate a PlumbingPro System franchise for an initial franchise fee plus a royalty interest based upon the gross sales of the franchise. The company also provides training for a fee.

#### (2) Summary of Significant Accounting Policies

##### A. Basis of Presentation

This summary of significant accounting policies of SystemForward America, LLC (the "Company") is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

The Company maintains its records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

##### B. Cash flows

For the purpose of the statement of cash flows, the Company considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents.

##### C. Marketable securities

The Company invests in marketable securities. Such securities are classified as trading securities and are recorded at fair value on the balance sheet with the change in market value recognized in income during the year. As of December 31, 2020 and 2019, marketable securities consists of mutual funds (equities and fixed income).

## SYSTEMFORWARD AMERICA, LLC

### Notes to Financial Statements

D. Trade accounts and notes receivable

An allowance for anticipated losses on trade accounts and notes receivable, primarily for royalty receivables from franchisees, are recorded at the balance sheet dates. The allowance for doubtful accounts is maintained at a level that is considered adequate by management to absorb potential credit losses based on customer credit information, historical performance, and projected economic trends. Receivables are written-off when deemed uncollectible which occurs after management has used reasonable collection efforts.

E. Inventory

Inventories consist primarily of tool kits and logo apparel and are stated at the lower of cost (first-in, first-out) or market value.

F. Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

|                         |            |
|-------------------------|------------|
| Vehicle                 | 5 years    |
| Machinery and Equipment | 3-10 years |
| Furniture and Fixtures  | 5-10 years |

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are expensed as incurred. The cost and related accumulated depreciation of property and equipment disposed of are eliminated from the accounts, and any resulting gain or loss is recognized.

G. Goodwill

The Company amortizes goodwill on a straight-line basis over a 15-year useful life and only evaluates goodwill for impairment at the entity level when a triggering event occurs.

H. Revenue Recognition

The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective locations and continuing royalty fees on a monthly basis based upon a percentage of franchisee sales. The initial term of franchise agreements are typically 10 years. Subject to the Company's approval, a franchisee may generally renew the franchise agreement upon its expiration. If approved, a franchisee may transfer a franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid by the assignee. The assignee assumes all duties, obligations, and liabilities of the franchisee. They assume the

## SYSTEMFORWARD AMERICA, LLC

### Notes to Financial Statements

original franchise agreement which shall expire on the initial expiration date. If a contract is terminated prior to its term, all sums owed to the Franchisor become due immediately.

Under the terms of the franchise agreements, the Company promised to provide franchise rights, pre-opening services such as franchisee and sales training, and ongoing support. Prior to the adoption of Topic 606, initial franchise fees paid by the franchisees were recognized as revenue in their entirety when the agreement was made. Upon adoption of Topic 606 on January 1, 2019, the Company determined that franchise rights, franchisee and sales/employee training and ongoing support represented two separate performance obligations. The franchise rights, and ongoing support is deemed one performance obligation which is covered by the initial franchise fee paid. Revenue from the franchise fee is recognized on a straight-line basis over the duration of the agreement to ensure that the revenue recognition aligns with the customer's access to the franchise rights. The Company determined that sales/employee training is one performance obligation that is offered by the franchisor for an additional cost to their employees and sales representatives. Revenue for sales/employee training is recognized when training is complete.

Franchise fees that are payable over intervals which exceed one year and have no provision for interest are discounted at an imputed interest rate. Broker fees incurred which are related to franchisee fees are payable as franchise fees are collected and recorded utilizing similar accounting treatment for presentation in the financial statements. At December 31, 2020 and 2019, \$0 and \$15,500, respectively, was included in deferred revenues related to franchise fees receivables on the initial franchise fees.

Royalty income is recognized during the respective franchise agreement based on the royalties earned each month as the underlying franchisees sales occur. Adoption of Topic 606 did not change when the royalty revenue is recognized.

#### I. Use of Estimates

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

#### J. Income Taxes

The Company, with the consent of its stockholders, has elected under the Internal Revenue Service Code to be a Small Business Corporation, an "S" corporation. In lieu of corporation income taxes, the stockholder of an "S" corporation is taxed on his proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company's shareholders will not be subject to

## SYSTEMFORWARD AMERICA, LLC

### Notes to Financial Statements

additional tax, penalties, and interest as a result of such challenge. Generally, the Company's tax returns remain open for three years for federal and state income tax examination.

#### K. Advertising Funds

Franchise agreements require the franchisee to pay continuing marketing fees on a monthly basis, based on a percentage of franchisee sales. The advertising fees are to be used only for advertising the Pop-A-Lock System, Temperature ProSystem, and the Plumbing Pro System to the general public. The Company expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2020 and 2019 was \$180,641 and \$156,741, respectively.

In 2018, the Company adopted Accounting Standards Update (ASU) 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance Variable Interest Entities*, which allows a private company (reporting entity) to elect not to apply variable interest entity guidance to legal entities under common control (including common control leasing arrangements) if both the parent and the legal entity being evaluated for consolidation are not public business entities. The advertising funds are separate legal entities under common ownership. The advertising funds are administered by board members made up of franchisees. The advertising funds are not reflected in the financial statements.

#### (3) Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, marketable securities, and receivables.

The Company places its cash and cash equivalents with sound financial institutions. At times, such amounts may be in excess of FDIC insurance limits. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2020, uninsured cash balances total \$526,946.

Franchisees are generally dispersed by geographical locations, but all operate in similar lines of business.

#### (4) Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate the fair value:

##### Cash and cash equivalents

The carrying amount approximates fair value.

##### Marketable securities

Marketable securities are carried at estimated fair value within the financial statements.

## SYSTEMFORWARD AMERICA, LLC

### Notes to Financial Statements

In accordance with FASB ASC 820-10-50-1, the Company groups assets and financial liabilities measured at fair value on a recurring basis in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine the fair value. These levels are:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes securities that are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. For example, municipal securities valuations are based on markets that are currently offering similar financial products. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projects in determining the fair value assigned to such assets or liabilities.

Marketable securities as of December 31, 2020 and 2019 are considered Level 1.

#### (5) Contract Balances

Contract assets include accounts receivable, franchise fees receivable, notes receivable and deferred costs related to broker and area developer fees. Accounts receivable represent monthly royalty payments that are billed and unbilled receivables due as of December 31, 2020 and 2019. Franchise fees receivable include balances owed on the initial franchise fee charged as of December 31, 2020 and 2019. Notes receivables include financial obligations from various franchisees for royalties as of December 31, 2020 and 2019. Deferred broker and area developer fees are costs that are related to ongoing contract rights and fees that are being straight lined over the contract life.

Contract liabilities include deferred franchise fees that are being recognized on a straight-line basis over the life of the franchise agreement.

# SYSTEMFORWARD AMERICA, LLC

## Notes to Financial Statements

The beginning and ending contract assets and contract liabilities consists of the following as of December 31:

|                                             | 2020                | 2019                | 2018                |
|---------------------------------------------|---------------------|---------------------|---------------------|
| Assets:                                     |                     |                     |                     |
| Accounts receivable                         | \$ 778,061          | \$ 971,834          | \$ 871,226          |
| Franchise fee receivable                    | -                   | 15,500              | 199,672             |
| Notes receivable, franchisees - current     | 101,808             | 79,421              | 122,887             |
| Notes receivable, franchisees - non-current | 267,174             | 254,581             | 335,953             |
| Deferred costs - current                    | 504,103             | 535,424             | -                   |
| Deferred costs - non-current                | <u>2,544,404</u>    | <u>2,480,262</u>    | <u>-</u>            |
| Total contract assets                       | <u>\$ 4,195,550</u> | <u>\$ 4,337,022</u> | <u>\$ 1,529,738</u> |
| Liabilities:                                |                     |                     |                     |
| Deferred revenue - current                  | \$ 1,247,293        | \$ 1,392,051        | \$ 65,172           |
| Deferred revenue - long term                | <u>6,415,874</u>    | <u>6,637,826</u>    | <u>-</u>            |
| Total contract liabilities                  | <u>\$ 7,663,167</u> | <u>\$ 8,029,877</u> | <u>\$ 65,172</u>    |

The future recognition of deferred franchise fees and unamortized costs to be recognized related to performance obligations that are unsatisfied as of December 31, 2020 is as follows:

|                 | Unamortized<br>Costs | Deferred<br>Franchise Fees |
|-----------------|----------------------|----------------------------|
| 2021            | \$ 504,103           | \$ 1,247,293               |
| 2022            | 492,401              | 1,218,906                  |
| 2023            | 447,700              | 1,096,527                  |
| 2024            | 406,694              | 992,721                    |
| 2025            | 388,047              | 923,998                    |
| 2026-thereafter | <u>809,562</u>       | <u>2,183,722</u>           |
|                 | <u>\$ 3,048,507</u>  | <u>\$ 7,663,167</u>        |

# SYSTEMFORWARD AMERICA, LLC

## Notes to Financial Statements

The following table presents disaggregation of revenue from contracts with customers for the years ended December 31:

|                                                    | <u>2020</u>                | <u>2019</u>                |
|----------------------------------------------------|----------------------------|----------------------------|
| Performance obligations satisfied over time:       |                            |                            |
| Franchise fees, net                                | <u>\$ 1,530,768</u>        | <u>\$ 1,836,166</u>        |
| Performance obligations satisfied at a point time: |                            |                            |
| Royalty income                                     | 3,424,343                  | 3,709,541                  |
| Sales of tolls, uniforms, and supplies             | 21,745                     | 26,423                     |
| Management fees                                    | 117,803                    | 127,420                    |
| Franchise training income                          | 23,525                     | 80,260                     |
| Rebates                                            | 45,650                     | 14,628                     |
| Finance charges                                    | <u>4,163</u>               | <u>7,640</u>               |
|                                                    | <u>3,637,229</u>           | <u>3,965,912</u>           |
| Total revenue                                      | <u><u>\$ 5,167,997</u></u> | <u><u>\$ 5,802,078</u></u> |

### (6) Notes Receivable

#### A. Franchisees -

At December 31, 2020 and 2019, the Company has obligations from various franchisees' for royalties. Obligations accrue interest at 2.9% and are due in monthly installments aggregating approximately \$10,134, including interest. Amounts due as of December 31, 2020 are as follows:

|                      |                   |
|----------------------|-------------------|
| 2021                 | \$ 101,808        |
| 2022                 | 81,873            |
| 2023                 | 73,043            |
| 2024                 | 46,067            |
| 2025                 | 23,551            |
| 2026-2028            | <u>42,640</u>     |
| Total                | \$ 368,982        |
| Less current portion | <u>(101,808)</u>  |
| Non-current portion  | <u>\$ 267,174</u> |



# SYSTEMFORWARD AMERICA, LLC

## Notes to Financial Statements

### B. Officer -

The Company has notes receivable from an officer and shareholder in the amount of \$200,000 and \$200,000 at December 31, 2020 and 2019, respectively. Under the terms of the agreement, interest is payable monthly at 1.09%. The balances of the notes are due as follows: September 5, 2023, January 6, 2024, and June 16, 2024. The debts are unsecured.

### C. Employees –

The Company made loans to a few employees. These obligations accrue interest at 2.3% and are due in aggregate semi-monthly installments of \$1,073, including interest, and such payments are made through payroll deductions. Amounts due as of December 31, 2020 are as follows:

|      |                  |
|------|------------------|
| 2021 | <u>\$ 13,036</u> |
|------|------------------|

### (7) Property and Equipment

Property and equipment are summarized as follows:

|                                | <u>2020</u>      | <u>2019</u>      |
|--------------------------------|------------------|------------------|
| Vehicles                       | \$ 33,255        | \$ 33,255        |
| Furniture and office equipment | <u>122,164</u>   | <u>114,008</u>   |
|                                | 155,419          | 147,263          |
| Less accumulated depreciation  | <u>(109,080)</u> | <u>(103,244)</u> |
| Property and equipment, net    | <u>\$ 46,339</u> | <u>\$ 44,019</u> |

Depreciation expense amounted to \$5,836 and \$5,743 in 2020 and 2019, respectively.

## SYSTEMFORWARD AMERICA, LLC

### Notes to Financial Statements

#### (9) Goodwill

During the year ended December 31, 2020 and 2019, no triggering events occurred requiring impairment testing and thus, no impairment loss was recorded. Accumulated amortization as of December 31, 2020 and 2019 was \$20,555 and \$17,222, respectively. Amortization expense for the year ended December 31, 2020 and 2019 was \$3,333, respectively. Amortization expense will be recognized as follows:

|           |                  |
|-----------|------------------|
| 2021      | \$ 3,333         |
| 2022      | 3,333            |
| 2023      | 3,333            |
| 2024      | 3,333            |
| 2025      | 3,333            |
| 2026-2029 | <u>12,780</u>    |
|           | <u>\$ 29,445</u> |

#### (10) Long-term Debt

On April 7, 2020, the Company borrowed \$244,630 under the paycheck protection program as enacted as part of the Coronavirus Aid Relief and Economic Security Act and administered by the U.S. Small Business Administration (SBA). The Company has applied to lender for loan forgiveness of the full amount or portion of the principal amount of this loan, in accordance with the terms of the CARES Act, beginning no earlier than eight weeks after the date of the loan and ending sixty days prior to the maturity date of the loan. The maximum amount that may be eligible for forgiveness will be based on the amount of payroll costs, mortgage interest, rent expenses, and utilities expenses paid by the Company during the eight weeks period following the date of this loan. As of December 31, 2020, the Company anticipates full forgiveness of the loan.

#### (11) Operating Leases

The Company entered into a three-year lease agreement for the rental of office space with the lease set to mature on December 31, 2021. Total rent due in 2019 (year 1) was \$5,975 and in 2020 (year 2) was \$6,083 per month with a consumer price index (CPI) increase in year 3 not to exceed \$200 per month. Total rent expense included in total operating expenses at December 31, 2020 and 2019 was \$72,996 and \$71,705, respectively.

The Company pays rent in the amount of \$3,500 per month for the use of training buildings. There is no formal signed agreement. Total rent expense included in total operating expenses at December 31, 2020 and 2019 was \$42,000, respectively.

## SYSTEMFORWARD AMERICA, LLC

### Notes to Financial Statements

#### (12) Management Fees

Franchise agreements require the franchisees to pay continuing marketing fees on a monthly basis, based on a percentage of franchisee sales. The fees collected are to be used only for advertising the Pop-A-Lock System, TemperaturePro System, and PlumbingPro System to the general public. The advertising funds are held in separate legal entities under common ownership. The funds in the advertising funds are administered by board members made up of franchisees. The advertising funds cannot be used by the company and are not reflected in the financial statements.

The Company charges a management fee to the funds, allowable in the franchise agreements, that is subject to a maximum of 15% of the funds per year to recover a portion of its operating expenses. Total management fees charged to the advertising funds in December 31, 2020 and 2019 were \$117,803 and \$127,420, respectively.

At December 31, 2020 and 2019, the advertising funds owed the Company \$222,147 and \$169,567, respectively, and is included in the due from affiliates' line item on the balance sheets.

#### (13) Other Related Party Transactions

The Company pays a consulting fee of \$10,000 per month to an entity owned by one of the Company's shareholders. Consulting fees of \$120,000 were paid to the related party during each of the years ended December 31, 2020 and 2019.

#### (14) Commitments and Contingencies

At various time during the year, the Company may be involved in disputes with franchisees that arise in the ordinary course of business. In some instances, the Company returns the initial franchise fees paid and is ordered to pay out additional amounts. Total franchise fees returned during 2020 and 2019 was \$422,244 and \$201,128, respectively and is recorded against franchise fee revenue. Any amounts paid out in addition to the initial franchise fee returned is recorded as other expense on the statements of income. There were no amounts of additional payments during the year ended December 31, 2020 and 2019, respectively.

#### (15) Reclassification

Certain reclassifications have been made in the current year to total amounts presented as of December 31, 2019 to be consistent with the presentation as of December 31, 2020. The reclassifications had no effect on total net assets or changes in net assets as previously presented.

# SYSTEMFORWARD AMERICA, LLC

## Notes to Financial Statements

### (17) Restatement of Previously Issued Financial Statements

The Company has restated its previously issued financial statements for 2019 to reflect the correction of error related to recognition of initial franchise fees and related expenditures for a contract thought to be terminated when it was not actually terminated.

A contract with a franchisee was thought to be terminated in 2019 and therefore total deferred revenues and expenditures under the contract were recognized in 2019. In 2020, the error was discovered noting that the contract was not actually terminated and was corrected in 2020. The effect of the correction of this error on the results of operations, retained earnings, and significant asset and liability accounts is as follows for December 31, 2019:

|                                       | Previously<br>Reported<br>12/31/2019 | Prior<br>Period<br>Adjustment | As<br>Restated<br>12/31/2019 |
|---------------------------------------|--------------------------------------|-------------------------------|------------------------------|
| Net income                            | \$ 1,703,678                         | \$ (191,831)                  | \$ 1,511,847                 |
| Retained earnings                     | \$ (2,694,126)                       | \$ (191,831)                  | \$ (2,885,957)               |
| Assets:                               |                                      |                               |                              |
| Unamortized broker fees - current     | \$ 461,290                           | \$ 21,240                     | \$ 482,530                   |
| Unamortized broker fees - non-current | \$ 2,012,175                         | \$ 119,992                    | \$ 2,132,167                 |
| Liabilities:                          |                                      |                               |                              |
| Deferred Revenue - current            | \$ 1,342,269                         | \$ 49,782                     | \$ 1,392,051                 |
| Deferred Revenue - non-current        | \$ 6,354,545                         | \$ 283,281                    | \$ 6,637,826                 |

### (18) Subsequent Event Review

The Company evaluated the need for disclosures and/or adjustments resulting from subsequent events through March 17, 2021, the date the financial statements were available to be issued. On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic and it is still currently ongoing. Actions taken around the world to help mitigate the spread of the coronavirus includes restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including geographical areas in which the Company operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Company. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

## SYSTEMFORWARD AMERICA, LLC

### Notes to Financial Statements

#### (19) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) intended to improve financial reporting regarding leasing transactions. The new standard affects all companies and organizations that lease assets. The standard will require organizations to recognize on the statement of financial condition the assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative and quantitative disclosures providing additional information about the amounts recorded in the financial statements. The amendments in this update are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company is evaluating the potential impact of the amendment on the Company's financial statements.



## CONSENT

Broussard Poché, LLP consents to the use in the Franchise Disclosure Document issued by SystemForward America, LLC ("Franchisor") on June 24, 2020, as it may be amended, of our report dated June 24, 2020, related to the financial statements of Franchisor for the year ended December 31, 2019.

*Broussard Poché, LLP*

Lafayette, Louisiana  
June 24, 2020

**SYSTEMFORWARD AMERICA, LLC**  
**FINANCIAL REPORT**  
**DECEMBER 31, 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and  
Stockholders of SystemForward  
America, LLC  
Lafayette, Louisiana

We have audited the accompanying financial statements of SystemForward America, LLC, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

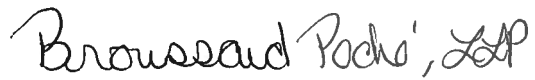
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SystemForward America, LLC as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 1 to the financial statements, in 2019, SystemForward America, LLC adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Broussard Pochi, LLP". The signature is written in a cursive, flowing style.

Lafayette, Louisiana  
June 24, 2020

SYSTEMFORWARD AMERICA, LLC

BALANCE SHEETS  
December 31, 2019 and 2018

| ASSETS                               | 2019                | 2018                |
|--------------------------------------|---------------------|---------------------|
| <b>CURRENT ASSETS</b>                |                     |                     |
| Cash and cash equivalents            | \$ 752,230          | \$ 952,734          |
| Marketable securities                | 122,629             | 106,571             |
| Accounts receivable                  | 971,834             | 871,226             |
| Franchise fees receivable            | 15,500              | 199,672             |
| Allowance for doubtful accounts      | (194,550)           | (194,550)           |
| Deferred costs, current portion      |                     |                     |
| Unamortized broker fees              | 461,290             | -                   |
| Unamortized area developer fees      | 52,894              | -                   |
| Notes receivable, current portion    |                     |                     |
| Franchisees                          | 79,421              | 122,887             |
| Employees                            | 14,847              | 12,924              |
| Due from affiliates                  | 169,567             | 77,555              |
| Other receivables                    | 773                 | 435                 |
| Prepaid expenses                     | 3,323               | 3,258               |
| Inventory                            | <u>25,811</u>       | <u>36,363</u>       |
| Total current assets                 | <u>\$ 2,475,569</u> | <u>\$ 2,189,075</u> |
| <b>PROPERTY AND EQUIPMENT</b>        |                     |                     |
| Vehicles                             | \$ 33,255           | \$ 33,255           |
| Furniture and equipment              | 93,263              | 87,313              |
| Computer equipment                   | <u>20,745</u>       | <u>20,745</u>       |
|                                      | \$ 147,263          | \$ 141,313          |
| Less accumulated depreciation        | <u>(103,244)</u>    | <u>(97,501)</u>     |
| Total property and equipment         | <u>\$ 44,019</u>    | <u>\$ 43,812</u>    |
| <b>OTHER ASSETS</b>                  |                     |                     |
| Intellectual property, net           | \$ 32,778           | \$ 36,111           |
| Deferred costs, non-current portion  |                     |                     |
| Unamortized broker fees              | 2,012,175           | -                   |
| Unamortized area developer fees      | 348,095             | -                   |
| Notes receivable, non-current:       |                     |                     |
| Franchisees                          | 254,580             | 335,953             |
| Employees                            | 5,308               | 8,188               |
| Note receivable – member/shareholder | <u>200,000</u>      | <u>220,000</u>      |
| Total other assets                   | <u>\$ 2,852,936</u> | <u>\$ 600,252</u>   |
| Total assets                         | <u>\$ 5,372,524</u> | <u>\$ 2,833,139</u> |

See Notes to Financial Statements.

| LIABILITIES AND STOCKHOLDERS'/MEMBERS' EQUITY                                | <u>2019</u>             | <u>2018</u>             |
|------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>CURRENT LIABILITIES</b>                                                   |                         |                         |
| Accounts payable                                                             | \$ 39,971               | \$ 56,052               |
| Accrued expenses                                                             | 244,865                 | 157,850                 |
| Deferred revenues                                                            | <u>1,342,269</u>        | <u>65,172</u>           |
| Total current liabilities                                                    | \$ 1,627,105            | \$ 279,074              |
| <b>LONG-TERM LIABILITIES</b>                                                 |                         |                         |
| Deferred revenue                                                             | <u>6,354,545</u>        | <u>-</u>                |
| Total liabilities                                                            | <u>\$ 7,981,650</u>     | <u>\$ 279,074</u>       |
| <b>STOCKHOLDERS'/MEMBERS' EQUITY</b>                                         |                         |                         |
| Common stock, no par value, 10,000 shares<br>authorized, 1,200 shares issued | \$ -                    | \$ 85,000               |
| Retained earnings                                                            | -                       | 2,469,065               |
| Members' equity                                                              | <u>(2,609,126)</u>      | <u>-</u>                |
| Total stockholders' and members' equity                                      | <u>\$(2,609,126)</u>    | <u>\$ 2,554,065</u>     |
| <br>Total liabilities and stockholders'/members' equity                      | <br><u>\$ 5,372,524</u> | <br><u>\$ 2,833,139</u> |

SYSTEMFORWARD AMERICA, LLC

STATEMENTS OF INCOME  
For the Years Ended December 31, 2019 and 2018

|                                                                 | <u>2019</u>         | <u>2018</u>         |
|-----------------------------------------------------------------|---------------------|---------------------|
| Revenues:                                                       |                     |                     |
| Franchise fees                                                  | \$ 2,365,729        | \$ 1,686,406        |
| Royalty income                                                  | 3,709,540           | 3,910,901           |
| Sales of tools, uniforms and supplies                           | 26,423              | 27,240              |
| Management fees                                                 | 127,419             | 118,319             |
| Franchise training income                                       | 80,260              | 73,290              |
| Other                                                           | <u>22,268</u>       | <u>28,958</u>       |
| Total revenues                                                  | \$ 6,331,639        | \$ 5,845,114        |
| Operating expenses                                              | <u>4,648,719</u>    | <u>4,028,068</u>    |
| Operating income                                                | <u>\$ 1,682,920</u> | <u>\$ 1,817,046</u> |
| Other income (expense):                                         |                     |                     |
| Interest and dividend income                                    | \$ 5,677            | \$ 7,824            |
| Realized and unrealized gains (losses) on marketable securities | 15,280              | (14,160)            |
| Interest expense                                                | (199)               | (119)               |
| Loss on disposal of assets                                      | -                   | (8,693)             |
| Other expense                                                   | <u>-</u>            | <u>(307,851)</u>    |
| Total other income (expense)                                    | <u>\$ 20,758</u>    | <u>\$ (322,999)</u> |
| Net income                                                      | <u>\$ 1,703,678</u> | <u>\$ 1,494,047</u> |

See Notes to Financial Statements.

SYSTEMFORWARD AMERICA, LLC

STATEMENTS OF STOCKHOLDERS'/MEMBERS' EQUITY  
For the Years Ended December 31, 2019 and 2018

|                                                  | <u>Common<br/>Stock</u> | <u>Retained<br/>Earnings</u> | <u>Members'<br/>Equity</u> | <u>Total</u>         |
|--------------------------------------------------|-------------------------|------------------------------|----------------------------|----------------------|
| Balance, December 31, 2017                       | \$ 85,000               | \$ 2,125,018                 | \$ -                       | \$ 2,210,018         |
| Net income                                       | -                       | 1,494,047                    | -                          | 1,494,047            |
| Dividends paid                                   | <u>-</u>                | <u>(1,150,000)</u>           | <u>-</u>                   | <u>(1,150,000)</u>   |
| Balance, December 31, 2018                       | \$ 85,000               | \$ 2,469,065                 | \$ -                       | \$ 2,554,065         |
| Adoption of ASU No. 2014-09, Topic 606           | -                       | (4,766,869)                  | -                          | (4,766,869)          |
| Entity conversion to a limited liability company | (85,000)                | 2,297,804                    | (2,212,804)                | -                    |
| Net income                                       | -                       | -                            | 1,703,678                  | 1,703,678            |
| Distributions                                    | <u>-</u>                | <u>-</u>                     | <u>(2,100,000)</u>         | <u>(2,100,000)</u>   |
| Balance, December 31, 2019                       | <u>\$ -</u>             | <u>\$ -</u>                  | <u>\$(2,609,126)</u>       | <u>\$(2,609,126)</u> |

See Notes to Financial Statements.

SYSTEMFORWARD AMERICA, LLC

STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2019 and 2018

|                                                                         | <u>2019</u>           | <u>2018</u>           |
|-------------------------------------------------------------------------|-----------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |                       |                       |
| Net income                                                              | \$ 1,703,678          | \$ 1,494,047          |
| Adjustments to reconcile net income to net cash provided by operations: |                       |                       |
| Depreciation and amortization                                           | 9,076                 | 10,712                |
| Realized and unrealized (gains) and losses                              | (15,280)              | 11,767                |
| (Gain) loss on disposal of assets                                       | -                     | 8,693                 |
| Provision for bad debts                                                 | 227,292               | 145,808               |
| (Increase) decrease in assets:                                          |                       |                       |
| Accounts and notes receivable                                           | (18,270)              | (30,383)              |
| Management fees receivable                                              | (92,012)              | (6,659)               |
| Deferred costs                                                          | 730,876               | -                     |
| Inventory                                                               | 10,552                | 31,275                |
| Prepaid expenses                                                        | (65)                  | 6,742                 |
| Increase (decrease) in liabilities:                                     |                       |                       |
| Accounts payable                                                        | (16,081)              | 12,381                |
| Accrued expenses                                                        | 87,015                | (320,461)             |
| Deferred revenues                                                       | <u>(740,557)</u>      | <u>59,744</u>         |
| Net cash provided by operating activities                               | <u>\$ 1,886,224</u>   | <u>\$ 1,423,666</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |                       |                       |
| Purchases of property and equipment                                     | \$ (5,950)            | \$ (7,490)            |
| Proceeds from sale of property and equipment                            | -                     | 1,250                 |
| Purchase of marketable securities                                       | <u>(778)</u>          | <u>(118,338)</u>      |
| Net cash used in investing activities                                   | <u>\$ (6,728)</u>     | <u>\$ (124,578)</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                             |                       |                       |
| Advances (repayments) to shareholder                                    | \$ 20,000             | \$ (20,000)           |
| Cash distributions paid to stockholders/members                         | <u>(2,100,000)</u>    | <u>(1,150,000)</u>    |
| Net cash used in financing activities                                   | <u>\$ (2,080,000)</u> | <u>\$ (1,170,000)</u> |
| Net increase (decrease) in cash                                         | \$ (200,504)          | \$ 129,088            |
| Cash at beginning of year                                               | <u>952,734</u>        | <u>823,646</u>        |
| Cash at end of year                                                     | <u>\$ 752,230</u>     | <u>\$ 952,734</u>     |
| <b>SUPPLEMENTAL DISCLOSURE:</b>                                         |                       |                       |
| Cash payments for:                                                      |                       |                       |
| Interest                                                                | <u>\$ 199</u>         | <u>\$ 119</u>         |

See Notes to Financial Statements.

## SYSTEMFORWARD AMERICA, LLC

### NOTES TO FINANCIAL STATEMENTS

#### Note 1. Summary of Significant Accounting Policies

This summary of significant accounting policies of SystemForward America, LLC (the “Company”) is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

##### Nature of business:

The Company has the exclusive right and authority to license the registered trademarks formally owned by Sig 5 Corporation including Pop-A-Lock, a door unlocking service. The Company sells the rights to operate a Pop-A-Lock franchise location for an initial franchise fee plus a royalty interest based upon the gross sales of the franchise. The Company also provides training and tool kits to the franchisees for a fee.

In 2014, the Company began marketing franchises for TemperaturePro, a turnkey system for heating, ventilation and air conditioning services. The Company sells the rights to operate a TemperaturePro franchise for an initial franchise fee plus a royalty interest based upon the gross sales of the franchise. The Company also provides training for a fee.

In 2019, the Company began marketing franchises for PlumbingPro System, a turnkey system for plumbing and drains, water damage restoration, water heaters and sewage tanks. The Company sells the rights to operate a PlumbingPro System franchise for an initial franchise fee plus a royalty interest based upon the gross sales of the franchise. The company also provides training for a fee.

##### Financial statement presentation:

The Company’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, certain revenues are recognized when earned, and certain expenses and purchases of assets are recognized when the obligation is incurred.

##### Use of estimates:

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

##### Advertising:

The Company expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2019 and 2018 was \$156,742 and \$110,705, respectively.

##### Cash and cash equivalents:

For purposes of the statements of cash flows, the Company considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents.



## SYSTEMFORWARD AMERICA, LLC

### NOTES TO FINANCIAL STATEMENTS

#### Marketable securities:

The Company invests in marketable securities. Such securities are classified as trading securities and are recorded at fair value on the consolidated balance sheet with the change in market value recognized in income during the year. As of December 31, 2019 and 2018, marketable securities consists of mutual funds (equities and fixed income).

#### Trade accounts and notes receivable:

An allowance for anticipated losses on trade accounts and notes receivable, primarily for royalty receivables from franchisees, are recorded at the balance sheet dates. The allowance for doubtful accounts is maintained at a level that is considered adequate by management to absorb potential credit losses based on customer credit information, historical performance and projected economic trends. Receivables are written-off when deemed uncollectible which occurs after management has used reasonable collection efforts.

#### Inventories:

Inventories consist primarily of tool kits and logo apparel and are stated at the lower of cost (first-in, first-out) or market value.

#### Income taxes:

The Company, with the consent of its stockholders, has elected under the Internal Revenue Service Code to be a Small Business Corporation, an "S" corporation. In lieu of corporation income taxes, the stockholder of an "S" corporation is taxed on his proportionate share of the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company's shareholders will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Company's tax returns remain open for three years for federal and state income tax examination.

Effective July 10, 2019, the Company converted the corporation to a limited liability company.

#### Property and equipment:

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

|                         | <u>Years</u> |
|-------------------------|--------------|
| Vehicle                 | 5            |
| Machinery and equipment | 3 – 10       |
| Furniture and fixture   | 5 – 10       |

## SYSTEMFORWARD AMERICA, LLC

### NOTES TO FINANCIAL STATEMENTS

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation for the years ended December 31, 2019 and 2018 was \$5,743 and \$7,379, respectively.

#### Intangible asset:

During 2014, the Company acquired rights to intellectual property for \$50,000 associated with a trade name. This intangible asset is being amortized over fifteen years on the straight-line method. Accumulated amortization as of December 31, 2019 and 2018 was \$17,222 and \$13,889, respectively. Amortization expense for the year ended December 31, 2019 and 2018 was \$3,333. Aggregate amortization expense will be recognized as follows:

|             |                  |
|-------------|------------------|
| 2020        | \$ 3,333         |
| 2021        | 3,333            |
| 2022        | 3,333            |
| 2023        | 3,333            |
| 2024        | 3,333            |
| 2025 - 2029 | <u>16,113</u>    |
|             | <u>\$ 32,778</u> |

#### Concentrations of risk:

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, marketable securities and receivables.

The Company places its cash and cash equivalents with sound financial institutions. At times, such amounts may be in excess of FDIC insurance limits.

Franchisees are generally dispersed by geographical locations, but all operate in similar lines of business.

#### Advertising funds:

In 2018, the Company adopted Accounting Standards Update (ASU) 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance Variable Interest Entities*, which allows a private company (reporting entity) to elect not to apply variable interest entity guidance to legal entities under common control (including common control leasing arrangements) if both the parent and the legal entity being evaluated for consolidation are not public business entities. The advertising funds are separate legal entities under common ownership. The advertising funds are administered by board members made up of franchisees. The advertising funds are not reflected in the financial statements.

#### Recent accounting pronouncements –

The FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and has since issued various amendments which provide additional clarification and implementation guidance on Topic 606. The core principal of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve the core principle, an entity should (1) identify the contract(s) with a customer, (2) identify the performance

SYSTEMFORWARD AMERICA, LLC

NOTES TO FINANCIAL STATEMENTS

obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The Company adopted this new guidance on January 1, 2019 using the modified retrospective transition method.

The Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of equity at January 1, 2019. Therefore, the comparative period has not been adjusted and continues to be reported under the previous revenue recognition guidance. See Note 2 for further information regarding our revenue policies and disaggregation of our sources of revenue.

The FASB has issued Accounting Standards Update (ASU) 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which is intended to improve GAAP by enhancing the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The guidance will (1) require that equity investments, except those accounted for under the equity method of accounting or those that result in the consolidation of the investee, to be measured at fair value with changes in fair value recognized in net income, (2) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; (3) eliminate the requirement to disclose the fair value financial instruments measured at amortized costs for entities that are not public business entities; and (4) clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The amendments to this update are effective for fiscal years beginning after December 15, 2018. The adoption of this ASU had no impacts on the financial statements or notes.

Note 2. Revenue Recognition

The Company adopted Topic 606 on January 1, 2019 using the modified retrospective transition method and recorded a decrease to beginning retained earnings of \$4,766,869. The Company adopted Topic 606 only for contracts with remaining performance obligations as of January 1, 2019, under the modified retrospective transition method. Comparative information from prior periods has not been adjusted and continues to be reported under the accounting standards in effect for those periods. The adoption changed the timing of recognition of initial franchise fees and related expenditures.

The cumulative effects of the changes made to the consolidated balance sheets as of as of December 31, 2019 for the adoption of Topic 606 were as follows:

# SYSTEMFORWARD AMERICA, LLC

## NOTES TO FINANCIAL STATEMENTS

|                                 | Balance at<br>December 3, 2018 | Adjustments<br>Due to adoption<br>of ASU 606 | Balance at<br>January 1, 2019 |
|---------------------------------|--------------------------------|----------------------------------------------|-------------------------------|
| <b>Assets</b>                   |                                |                                              |                               |
| Current assets                  |                                |                                              |                               |
| Unamortized broker fees         | \$ -                           | \$ 583,818                                   | \$ 583,818                    |
| Unamortized area developer fees | \$ -                           | \$ 218,195                                   | \$ 218,195                    |
| Other assets                    |                                |                                              |                               |
| Unamortized broker fees         | \$ -                           | \$ 2,402,328                                 | \$ 2,402,328                  |
| Unamortized area developer fees | \$ -                           | \$ 400,988                                   | \$ 400,988                    |
| <b>Liabilities</b>              |                                |                                              |                               |
| Current liabilities             |                                |                                              |                               |
| Deferred revenues               | \$ 65,172                      | \$ (959,850)                                 | \$ (894,678)                  |
| Long-term liabilities           |                                |                                              |                               |
| Deferred revenues               | \$ -                           | \$ (7,412,348)                               | \$ (7,412,348)                |
| <b>Shareholders' equity</b>     |                                |                                              |                               |
| Retained earnings               | \$ 2,469,065                   | \$ (4,766,869)                               | \$ (2,297,804)                |

### Franchise and related revenue

The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective locations and continuing royalty fees on a monthly basis based upon a percentage of franchisee sales. The initial term of franchise agreements are typically 10 years. Subject to the Company's approval, a franchisee may generally renew the franchise agreement upon its expiration. If approved, a franchisee may transfer a franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid by the assignee. The assignee assumes all duties, obligations and liabilities of the franchisee. They assume the original franchise agreement which shall expire on the initial expiration date. If a contract is terminated prior to its term, all sums owed to the Franchisor become due immediately.

Under the terms of the franchise agreements, the Company promised to provide franchise rights, pre-opening services such as a franchisee and sales training, and ongoing support. Prior to the adoption of Topic 606, initial franchise fees paid by the franchisees were recognized as revenue in their entirety when the agreement was made. Upon adoption of Topic 606 on January 1, 2019, the Company determined that franchise rights, franchisee and sales/employee training and ongoing support represented two separate performance obligations. The franchise rights, and ongoing support is deemed one performance obligation which is covered by the initial franchise fee paid. Revenue from the franchise fee is recognized on a straight line basis over the duration of the agreement to ensure that the revenue recognition aligns with the customer's access to the franchise rights. The Company determined that sales/employee training is one performance obligation that is offered by the franchisor for an additional costs to their employees and sales representatives. Revenue for sales/employee training is recognized when training is complete.

Franchise fees that are payable over intervals which exceed one year and have no provision for interest are discounted at an imputed interest rate. Broker fees incurred which are related to franchisee fees are payable as franchise fees are collected, and recorded utilizing similar accounting treatment for presentation in the financial statements. At December 31, 2019 and 2018, \$15,500 and \$65,172, respectively, was included in deferred revenues related to franchise fees receivables on the initial franchise fees.

# SYSTEMFORWARD AMERICA, LLC

## NOTES TO FINANCIAL STATEMENTS

Royalty income is recognized during the respective franchise agreement based on the royalties earned each month as the underlying franchisees sales occur. Adoption of Topic 606 did not change when the royalty revenue is recognized.

The following table presents disaggregation of revenue from contracts with customers for years ended:

|                                                       | <u>2019</u>         | <u>2018</u>         |
|-------------------------------------------------------|---------------------|---------------------|
| Performance obligations satisfied over time:          |                     |                     |
| Franchise fees, net                                   | <u>\$ 2,365,729</u> | <u>\$ -</u>         |
| Performance obligations satisfied at a point in time: |                     |                     |
| Franchise fees, net                                   | \$ -                | \$ 1,686,406        |
| Royalty income                                        | 3,709,540           | 3,910,901           |
| Sales of tolls, uniforms and supplies                 | 26,423              | 27,240              |
| Management fees                                       | 127,419             | 118,319             |
| Franchise training income                             | 80,260              | 73,290              |
| Rebates                                               | 14,628              | 21,046              |
| Finance charges                                       | <u>7,640</u>        | <u>7,912</u>        |
|                                                       | <u>\$ 3,965,910</u> | <u>\$ 5,845,114</u> |
| Total revenue                                         | <u>\$ 6,331,639</u> | <u>\$ 5,845,114</u> |

### Advertising funds

Franchise agreements require the franchisee to pay continuing marketing fees on a monthly basis, based on a percentage of franchisee sales. The advertising fees are to be used only for advertising the Pop-A-Lock System and Temperature ProSystem to the general public. The advertising funds are held in separate legal entities and are administered by board members made up of franchisees. The advertising funds are not reflected in the financial statements.

### Contract balances

Contract assets include accounts receivable, franchise fees receivable, notes receivable and deferred costs related to broker and area developer fees. Accounts receivable represent monthly royalty payments that are billed and unbilled receivables due as of December 31, 2019 and 2018. Franchise fees receivable include balances owed on the initial franchise fee charged as of December 31, 2019 and 2018. Notes receivables include financial obligations from various franchisees for royalties as of December 31, 2019 and 2018. Deferred broker and area developer fees are costs that are related to ongoing contract rights and fees that are being straight lined over the contract life.

Contract liabilities include deferred franchise fees that are being recognized on a straight line basis over the life of the franchise agreement.

SYSTEMFORWARD AMERICA, LLC

NOTES TO FINANCIAL STATEMENTS

Contract assets and contract liabilities consists of the following as of December 31, 2019 and 2018:

|                                                    | 2019                | 2018                   | 2017                        |
|----------------------------------------------------|---------------------|------------------------|-----------------------------|
| <b>Assets:</b>                                     |                     |                        |                             |
| Accounts receivable                                | \$ 971,834          | \$ 871,226             | \$ 899,180                  |
| Franchise fee receivable                           | 15,500              | 199,672                | 182,428                     |
| Notes receivable, franchisees – current            | 79,421              | 122,887                | 111,411                     |
| Notes receivable, franchisees – non-current        | 254,580             | 335,953                | 351,243                     |
| Deferred costs – current                           | 514,184             | -                      | -                           |
| Deferred costs – long term                         | <u>2,360,270</u>    | <u>-</u>               | <u>-</u>                    |
| Total contract assets                              | <u>\$ 4,195,789</u> | <u>\$ 1,529,738</u>    | <u>\$ 1,544,262</u>         |
| <b>Liabilities:</b>                                |                     |                        |                             |
| Deferred revenue - current                         | \$ 1,342,269        | \$ 65,172              | \$ 5,428                    |
| Deferred revenue – long term                       | <u>6,354,545</u>    | <u>-</u>               | <u>\$ -</u>                 |
| Total contract liabilities                         | <u>\$ 7,696,814</u> | <u>\$ 65,172</u>       | <u>\$ 5,428</u>             |
|                                                    |                     | <u>Contract Assets</u> | <u>Contract Liabilities</u> |
| Balance at beginning of period                     |                     | \$ 1,529,738           | \$ 65,172                   |
| Adoption of ASU 2014-09, Topic 606                 |                     | 3,605,330              | 8,372,198                   |
| Revenues and costs deferred on new contracts       |                     | 519,625                | 1,670,173                   |
| Revenue and costs recognized on deferred contracts |                     | (1,363,093)            | (2,761,850)                 |
| Amounts (collected) or invoiced, net               |                     | <u>(95,811)</u>        | <u>351,121</u>              |
| Balance at end of period                           |                     | <u>\$ 4,195,789</u>    | <u>\$ 7,696,814</u>         |

The following reflects the future recognition of deferred franchise fees and unamortized costs to be recognized related to performance obligations that are unsatisfied as of December 31, 2019:

|                   | Deferred Franchise Fees | Unamortized Costs   |
|-------------------|-------------------------|---------------------|
| 2020              | \$ 1,342,269            | \$ 514,184          |
| 2021              | 1,139,976               | 431,477             |
| 2022              | 1,095,488               | 413,306             |
| 2023              | 965,150                 | 365,630             |
| 2024              | 859,133                 | 324,624             |
| 2025 – thereafter | <u>2,294,798</u>        | <u>825,233</u>      |
|                   | <u>\$ 7,696,814</u>     | <u>\$ 2,874,454</u> |

# SYSTEMFORWARD AMERICA, LLC

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Notes Receivable

At December 31, 2019 and 2018, the Company has obligations from various franchisees' for royalties. Obligations accrue interest at 2.9% and are due in monthly installments aggregating approximately \$7,217, including interest. Amounts due by fiscal year at December 31, 2019 are as follows:

|                      |                   |
|----------------------|-------------------|
| 2020                 | \$ 79,421         |
| 2021                 | 59,422            |
| 2022                 | 44,395            |
| 2023                 | 45,302            |
| 2024                 | 46,067            |
| 2025-2028            | <u>59,394</u>     |
| Total                | \$ 334,001        |
| Less current portion | <u>79,421</u>     |
| Non-current portion  | <u>\$ 254,580</u> |

In addition to the above, the Company made loans to a few employees. These obligations accrue interest at 2.3% and are due in an aggregate semi-monthly installments of \$2,712, including interest, and such payments are made through payroll deductions. Amounts due by fiscal year at December 31, 2019 are as follows:

|                      |                 |
|----------------------|-----------------|
| 2019                 | \$ 14,847       |
| 2020                 | <u>5,308</u>    |
| Total                | \$ 20,155       |
| Less current portion | <u>14,847</u>   |
| Non-current portion  | <u>\$ 5,308</u> |

### Note 4. Note Receivable – Shareholder/Member

The Company has notes receivable from a member and shareholder in the amount of \$200,000 and \$220,000 at December 31, 2019 and 2018, respectively. Under the terms of the agreement, interest is payable monthly at 1.09%. The balances of the notes are due as follows: September 5, 2023, January 6, 2024 and June 16, 2024. The debts are unsecured. During the 2018, a shareholder received \$20,000 as an advance on distributions.

### Note 5. Operating leases

The Company entered into a three year lease agreement for the rental of office space with the lease set to mature on December 31, 2021. Total rent due in year one is \$5,975 per month with a consumer price index (CPI) increase in year 2 and 3 not to exceed \$200 per month. Total rent expense included in total operating expenses amounted to \$71,705 in 2019 and 2018.

SYSTEMFORWARD AMERICA, LLC  
NOTES TO FINANCIAL STATEMENTS

The Company pays rent in the amount of \$3,500 per month for the use of training buildings. There is no formal signed agreement. Total rent expense included in total operating expenses amounted to \$42,000 in 2019 and 2018.

Note 6. Management Fees

Franchise agreements require the franchisees pay continuing marketing fees on a monthly basis, based on a percentage of franchisee sales. The fees collected are to be used only for advertising the Pop-A-Lock System and Temperature ProSystem to the general public. The advertising fund for PlumbingPro system was not set up until after year end. The advertising funds are held in separate legal entities under common ownership. The funds in the advertising funds are administered by board members made up of franchisees. The advertising funds cannot be used by the company and are not reflected in the financial statements.

The Company charges a management fee to the funds, allowable in the franchise agreements, that is subject to a maximum of 15% of the funds per year to recover a portion of its operating expenses. Total management fees charged to the advertising funds in 2019 and 2018 were \$127,419 and \$118,319, respectively.

At December 31, 2019 and 2018, the advertising funds owed the Company \$169,567 and \$77,555, respectively, and is included in the due from affiliates' line item on the balance sheets.

Note 7. Other Related Party Transactions

The Company pays a consulting fee of \$10,000 per month to an entity owned by one of the Company's shareholders. Consulting fees of \$120,000 were paid to the related party during each of the years ended December 31, 2019 and 2018.

Note 8. Commitments and Contingencies

At various time during the year, the Company may be involved in disputes with franchisees that arise in the ordinary course of business. In some instances, the Company returns the initial franchise fees paid and is ordered to pay out additional amounts. Total franchise fees returned during 2019 and 2018 was \$201,128 and \$336,503, respectively and is recorded against franchise fee revenue. Any amounts paid out in addition to the initial franchise fee returned is recorded as an other expense on the statements of income. The amount of additional payments during 2019 and 2018 were \$- 0 - and \$307,851, respectively.

Note 9. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate the fair value:

Cash and cash equivalents

The carrying amount approximates fair value.



SYSTEMFORWARD AMERICA, LLC  
NOTES TO FINANCIAL STATEMENTS

Marketable securities

Marketable securities are carried at estimated fair value within the financial statements.

In accordance with FASB ASC 820-10-50-1, the Company groups assets and financial liabilities measured at fair value on a recurring basis in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine the fair value. These levels are:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes securities that are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Fore example, municipal securities valuations are based on markets that are currently offering similar financial products. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projects in determining the fair value assigned to such assets or liabilities.

Marketable securities as of December 31, 2019 and 2018 are considered Level 1.

Note 10. Reclassifications

Certain reclassifications have been made in the current year to total amounts presented as of December 31, 2018 to be consistent with the presentation as of December 31, 2019. The reclassifications had no effect on total net assets or changes in net assets as previously presented.

Note 11. Subsequent Events

The Company evaluated the need for disclosures and/or adjustments resulting from subsequent events through June 24, 2020, the date the financial statements were available to be issued. On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus includes restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including geographical areas in which the Company operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Company. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

**EXHIBIT H**  
**LIST OF FRANCHISEES**

**EXHIBIT H****FRANCHISEE ADDRESSES & TELEPHONE NUMBERS  
As of 12/31/2021**

| Franchise Owner      | Location                          | Address                                                          | Phone Number |
|----------------------|-----------------------------------|------------------------------------------------------------------|--------------|
| Sam Landers          | <b>AL</b> Birmingham              | 110 Genesis Road<br>Scott, LA 70583                              | 337-873-7360 |
| Wendell Turney       | <b>AL</b> Huntsville              | 516 Garrard St.<br>Covington, KY 41011                           | 615-604-9648 |
| Robert Reynolds      | <b>AL</b> Mobile                  | 3768 Moffett Rd Suite B<br>Mobile, AL 36618                      | 337-316-3693 |
| Butch Forbes, Jr.    | <b>AR</b> Fayetteville            | 5510 Bryant Place<br>Springdale, AR 72764                        | 479-750-4307 |
| Clark & Kristi Jones | <b>AR</b> Ft. Smith               | 3498 Summerhill Rd<br>Texarkana, TX 77503                        | 903-792-4689 |
| Clark & Kristi Jones | <b>AR</b> Hot Springs             | 3498 Summerhill Rd<br>Texarkana, TX 77503                        | 903-792-4689 |
| Terri Farrow         | <b>AR</b> Little Rock             | 1200 Lafitte Street #17<br>Hammond, LA 70403                     | 985-969-5856 |
| Laura Bartlett       | <b>AZ</b> Maricopa County         | 2601 E Rim Club<br>Payson, AZ 85541                              | 928-468-0093 |
| Laura Bartlett       | <b>AZ</b> NW Maricopa County      | 2601 E Rim Club<br>Payson, AZ 85541                              | 928-468-0993 |
| Laura Bartlett       | <b>AZ</b> Phoenix Metro           | 2601 E Rim Club<br>Payson, AZ 85541                              | 928-468-0993 |
| Bobby Colbert        | <b>AZ</b> Tucson                  | 2954 N. Campbell Ave<br>#334<br>Tucson, AZ 85719                 | 520-638-6279 |
| Jeff Maltz           | <b>CA</b> Alameda                 | 90 S. Spruce Ave. #i<br>S. San Francisco, CA<br>94080            | 408-315-1546 |
| Tony Dusenberry      | <b>CA</b> San Diego               | 1374 Sea Reef Dr.<br>San Diego, CA 92154                         | 619-920-9755 |
| Jeff Maltz           | <b>CA</b> San Francisco/San Mateo | 6280 S. Valley View<br>Blvd.<br>Suite 102<br>Las Vegas, NV 89118 | 408-315-1546 |
| Jeff Maltz           | <b>CA</b> Santa Clara             | 200 Bay Street #202<br>San Francisco, CA 94123                   | 408-315-1546 |

|                                     |                               |                                                                  |              |
|-------------------------------------|-------------------------------|------------------------------------------------------------------|--------------|
| Rob Orner and Russ Lakeman          | CA Sacramento                 | 350 Fite Circle #101F<br>Sacramento, CA 95827                    | 408-393-6058 |
| Jeff Maltz                          | CA Silicon Valley             | 200 Bay Street #202<br>San Francisco, CA 94123                   | 408-315-1546 |
| Craig Harries                       | CA South Bay                  | 1732 Aviation Blvd.<br>Suite 213<br>Redondo Beach, CA<br>90278   | 310-428-7068 |
| Melvin Menke                        | CO Denver/Boulder             | 341 Oakwood Trail<br>Fairview, TX. 75069                         | 612-810-4274 |
| David & Gail Hoffman                | CO Ft. Collins                | 1001-A E. Harmony Rd.<br>#112<br>Fort Collins, CO 80525          | 970-223-6251 |
| Charles DeVito                      | CT Hartford                   | 540 Hopmeadow Street<br>Simsbury, CT 06070                       | 860-651-4933 |
| Frank McGrath                       | DC Washington Metro           | 9693 Gerwig Lane<br>Unit 1-E<br>Columbia, MD 21046               | 410-381-2141 |
| Frank McGrath                       | DE Wilmington                 | 9693 Gerwig Lane<br>Unit 1-E<br>Columbia, MD 21046               | 410-381-2141 |
| Sam Landers                         | FL Clearwater/St. Petersburg  | 110 Genesis Road<br>Scott, LA 70583                              | 337-873-7360 |
| Jay & Pat Kane                      | FL Flagler County             | 224 Michelangelo Place<br>St. Augustine, FL 32084                | 904-806-8354 |
| Daniel Liberman and Ernesto Dorfman | FL Ft. Lauderdale             | 9000 Sheridan Street<br>Suite 138<br>Pembroke Pines, FL<br>33024 | 305-331-9700 |
| Shawn Dockery                       | FL Ft. Myers                  | P.O. Box 60906<br>Ft. Myers, FL 33906                            | 239-936-4161 |
| Matthew Laketa                      | FL Ft. Walton/Destin          | W7439 Spring Valley Dr.<br>Greenville, WI 54942                  | 920-410-8487 |
| Jay & Pat Kane                      | FL Indian River County        | 224 Michelangelo Place<br>St. Augustine, FL 32084                | 904-806-8354 |
| Sam Landers                         | FL Jacksonville               | 110 Genesis Road<br>Scott, LA 70583                              | 337-873-7360 |
| David Cartwright                    | FL Melbourne (Brevard County) | 2160 King Street<br>Cocoa, FL 32926-5180                         | 321-636-3897 |
| Sam Landers                         | FL Orlando                    | 110 Genesis Road<br>Scott, LA 70583                              | 337-873-7360 |
| Sam Bouldin                         | FL Panama City                | 3315 East Game Farm<br>Rd.<br>Panama City, FL 32405              | 850-785-7621 |
| Jeff Gomez                          | FL Pensacola                  | 159 Nun Drive<br>Crestview, FL 32536                             | 850-474-4842 |
| Julie Purdie                        | FL Polk County                | 4798 S. Florida Ave.<br>#343<br>Lakeland, FL 33813               | 863-280-0411 |
| Greg Jessop                         | FL Sarasota/Bradenton         | 564 Crystal Drive<br>Madeira Beach, FL<br>33708                  | 651-894-2396 |
| Jay & Pat Kane                      | FL St. Augustine              | P.O. Box 3335<br>St. Augustine, FL 32085                         | 904-806-8353 |
| Sam Landers                         | FL Tallahassee                | 110 Genesis Rd                                                   | 337-873-7360 |

|                      |                                |                                                               |              |
|----------------------|--------------------------------|---------------------------------------------------------------|--------------|
|                      |                                | Scott, LA 70583                                               |              |
| Sam Landers          | FL Tampa                       | 110 Genesis Rd<br>Scott, LA 70583                             | 337-873-7360 |
| David Chipman        | FL West Palm Beach             | 130 Milton St.<br>Lantana, FL 33462                           | 561-323-0400 |
| Tina Dungy           | GA Atlanta                     | 3651 Peachtree Pkwy<br>Suite E, Box 384<br>Suwanee, GA 30024  | 770-888-8194 |
| Carl John Kaeser     | GA Augusta                     | 679 Butler Springs Circle<br>Grovetown, GA 30813              | 864-933-4316 |
| Sam Landers          | GA Columbus                    | 110 Genesis Rd.<br>Scott, LA 70583                            | 337-873-7360 |
| Sam Landers          | GA Savannah                    | 110 Genesis Rd.<br>Scott, LA 70583                            | 337-873-7360 |
| Jack & Cathy Walker  | HI Honolulu                    | 2421 Tusitala Street<br>Apt. 2104<br>Honolulu, HI 96815       | 808-450-9170 |
| Jeff Crouch          | ID Boise                       | 6249 W Donatella St.<br>Eagle, ID 83616                       | 208-794-9875 |
| Jeff McMillen        | ID Coeur D'Alene               | 16411 N. Dawn Court<br>Nine Mile Falls, WA<br>99026           | 509-230-8537 |
| Chad Turner          | IL S. Cook County              | 912 Jessamine Dr.<br>Oswego, IL 60543                         | 630-636-8045 |
| Mark Buss            | IN Indianapolis                | 7399 N. Shadeland Ave.<br>Suite 291<br>Indianapolis, IN 46250 | 678-595-5099 |
| Chad Turner          | IN N. Westlake County          | 912 Jessamine Dr.<br>Oswego, IL 60543                         | 630-636-8045 |
| Clark & Kristi Jones | KS Kansas City                 | 3498 Summerhill Rd.<br>Texarkana, TX 77503                    | 903-792-4689 |
| Doug Barnes          | KY Lexington                   | 739 Millpond Road<br>Lexington, KY 40514                      | 859-278-6387 |
| Doug Barnes          | KY Louisville                  | 739 Millpond Road<br>Lexington, KY 40514                      | 859-278-6387 |
| Randall McBride      | LA Alexandria                  | 1413B Louise Street<br>Alexandria, LA 71303                   | 318-447-1443 |
| Paul Sewall          | LA Baton Rouge                 | P.O. Box 62073<br>Lafayette, LA                               | 337-593-8081 |
| Kevin Benoit         | LA Crowley                     | 606 North Avenue J<br>Crowley, LA 70526                       | 337-783-3550 |
| Ray LeCompte, Jr.    | LA Houma/Thibodaux/Morgan City | 618 Quickie Drive<br>Houma, LA 70364                          | 985-446-1611 |
| Kevin Benoit         | LA Kaplan                      | 606 North Avenue J<br>Crowley, LA 70526                       | 337-643-3577 |
| Carl Vincent         | LA Lafayette                   | 152 Banks Avenue<br>Lafayette, LA 70506                       | 337-233-6211 |
| David Briscoe        | LA Lake Charles                | 400 Benoit<br>RoadCarencro, LA<br>70520                       | 318-447-1443 |
| Lee Webster          | LA Monroe                      | 700 Breard Street<br>Monroe, LA 71201                         | 318-372-4520 |
| Kris Smith           | LA New Iberia                  | 1603 Montagne<br>New Iberia, LA 70560                         | 337-365-8997 |
| Paul Sewall          | LA New Orleans                 | P.O. Box 62073                                                | 337-593-8081 |

|                        |                                    |                                                              |              |
|------------------------|------------------------------------|--------------------------------------------------------------|--------------|
|                        |                                    | Lafayette, LA 70596                                          |              |
| Lee Webster            | <b>LA</b> Ruston                   | 700 Breard Street<br>Monroe, LA 71201                        | 318-372-4520 |
| Jim Stevens            | <b>LA</b> Shreveport               | 421 Maple Ridge Drive<br>Bossier City, LA 71111              | 318-747-0477 |
| Krafft Muller          | <b>LA</b> Slidell/Covington        | 1001 Charlie Drive<br>Slidell, LA 70461                      | 985-201-0936 |
| Lisa Feldman           | <b>MA</b> Bristol/Plymouth         | 181 Essex Street, E803<br>Boston, MA 02111                   | 917-309-8500 |
| John Gaffney           | <b>MA</b> Norfolk/Suffolk Counties | 19 Chickadee Dr.<br>Norfolk, MA 02056                        |              |
| Richard Faro           | <b>MA</b> Peabody                  | 2 First Ave, Ste 104-2<br>Peabody, MA 01960                  | 978-968-8050 |
| Frank McGrath          | <b>MD</b> Baltimore/Annapolis      | 9693 Gerwig Lane<br>Unit 1-E<br>Columbia, MD 21046           | 410-381-2141 |
| Kirk Ditzler           | <b>ME</b> Portland                 | 58 Randall Ave.<br>Ocean Park, ME 04063                      | 207-956-2095 |
| Kirk Ditzler           | <b>ME</b> York County              | 58 Randall Ave.<br>Ocean Park, ME 04063                      | 207-956-2095 |
| Tom & Diane McMeekin   | <b>MI</b> Ann Arbor                | 543 Amherst Circle<br>Saline, MI 48176                       | 239-300-0278 |
| Glenn and Keegan Good  | <b>MI</b> Grand Rapids             | 4282 Brockton Dr. SE<br>Suite D<br>Grand Rapids, MI 49512    | 616-334-8714 |
| Keegan Good            | <b>MI</b> Lansing                  | 911 Lake Michigan Dr.<br>NW<br>Grand Rapids, MI 49504        | 616-334-8714 |
| Geron Helling          | <b>MN</b> Hennepin County          | 8015 133 <sup>rd</sup> Street West<br>Apple Valley, MN 55124 | 952-953-4492 |
| Geron Helling          | <b>MN</b> Scott/Carver Counties    | 8015 133 <sup>rd</sup> Street West<br>Apple Valley, MN 55124 | 952-953-4492 |
| Geron Helling          | <b>MN</b> St. Paul                 | 8015 133 <sup>rd</sup> Street West<br>Apple Valley, MN 55124 | 612-508-6800 |
| Clark Jones            | <b>MO</b> Kansas City              | 3498 Summerhill Rd.<br>Texarkana, TX 77503                   | 903-792-4689 |
| Juanita Hall           | <b>MO</b> Springfield/Branson      | 3844 West State Street<br>Springfield, MO 65802              | 417-890-9080 |
| Andy & Amy Snyder      | <b>MS</b> Harrison County          | 23516 Enchanted Ave.<br>Pass Christian, MS<br>39571          | 228-383-1241 |
| Edwin & Carmela Castro | <b>NC</b> Charlotte-Metro          | 435 Hunter Lane<br>Charlotte, NC 28211                       | 704-293-8257 |
| Mark Menaker           | <b>NC</b> Durham/Chapel Hill       | 312 N. Buchanan Blvd<br>#101<br>Durham, NC 27701             | 919-685-6946 |
| Mark Menaker           | <b>NC</b> Fayetteville             | 312 N. Buchanan Blvd<br>#101<br>Durham, NC 27701             | 919-685-6946 |
| John Turner            | <b>NC</b> Greensboro               | 4642 W. Market St. #302<br>Greensboro, NC 27407              | 336-588-2400 |
| Edwin & Carmela Castro | <b>NC</b> Kannapolis               | 435 Hunter Lane<br>Charlotte, NC 28211                       | 704-293-8257 |
| Alfred Jackson         | <b>NC</b> Outer Banks              | 300 Sir Walter Raleigh                                       | 252-261-7670 |

|                                                          |                                           |                                                             |              |
|----------------------------------------------------------|-------------------------------------------|-------------------------------------------------------------|--------------|
|                                                          |                                           | St.<br>Manteo, NC 27954                                     |              |
| Tom & Charlotte Williams                                 | <b>NJ</b> Bergen/Essex/Passaic Counties   | 281 Stonetown Road<br>Ringwood, NJ 07456                    | 973-839-2335 |
| Tom & Charlotte Williams                                 | <b>NJ</b> Hudson/Union/Middlesex Counties | 281 Stonetown Road<br>Ringwood, NJ 07456                    | 973-839-2335 |
| Greg Steen                                               | <b>NM</b> Albuquerque                     | 610 Gold Ave. SW<br>Suite 222A<br>Albuquerque, NM 87102     | 505-967-9255 |
| Anna Napolitano *owns multiple outlets                   | <b>NY</b> Brooklyn/Manhattan              | 765 Forest Ave.<br>Staten Island, NY 10310                  | 718-448-3333 |
| Dan Blasdel *owns multiple outlets                       | <b>NY</b> Monroe County                   | 53 Westland Ave.<br>Rochester, NY 14618                     | 585-319-1682 |
| Alan Futterman *owns multiple outlets                    | <b>NY</b> Nassau County                   | 76 Trenton Ave.<br>Long Beach, NY 11561                     | 516-385-5668 |
| Chris Scandalios & George Marinos *owns multiple outlets | <b>NY</b> North/Central Queens            | 196 Meadbrook Rd<br>Garden City, NY 11530                   | 917-647-7186 |
| Dan Blasdel *owns multiple outlets                       | <b>NY</b> Rochester                       | 53 Westland Ave.<br>Rochester, NY 14618                     | 585-319-1682 |
| Steven Kimmich *owns multiple outlets                    | <b>NY</b> Syracuse                        | 1982 West Danby Road<br>Newfield, NY 14867                  | 607-330-0300 |
| Brian Thomas *owns multiple outlets                      | <b>NY</b> Western Suffolk County          | 2 Country Court<br>Farmingdale, NY 11735                    | 631-848-4888 |
| Chris Scandalios & George Marinos *owns multiple outlets | <b>NY</b> W. Queens                       | 196 Meadbrook Rd<br>Garden City, NY 11530                   | 917-647-7186 |
| Richard Harold, William Collins *owns multiple outlets   | <b>NY</b> Westchester County              | 777 Westchester Ave.<br>Suite 101<br>White Plains, NY 10604 | 914-523-5824 |
| Jeffrey Rands                                            | <b>NV</b> Las Vegas                       | 3480 Andalusia Pl.<br>Las Vegas, NV 89146                   | 408-315-1546 |
| Mike Quayle                                              | <b>OH</b> Akron/Canton                    | 1156 Brandywine Dr.<br>Medina, OH 44256                     | 330-440-2856 |
| Wendell Turney                                           | <b>OH</b> Cincinnati                      | 602 Main St. Suite 202<br>Cincinnati, OH 45202              | 615-604-9648 |
| Todd Talbert                                             | <b>OH</b> Cleveland                       | 1987 Ravine Way<br>Reynoldsburg, OH 43068                   | 614-856-9516 |
| Todd Talbert                                             | <b>OH</b> Columbus                        | 1987 Ravine Way<br>Reynoldsburg, OH 43068                   | 614-856-9516 |
| Todd Talbert                                             | <b>OH</b> Toledo                          | 1987 Ravine Way<br>Reynoldsburg, OH 43068                   | 614-856-9516 |
| Clark and Kristi Jones                                   | <b>OK</b> Oklahoma City                   | 3498 Summerhill Rd.<br>Texarkana, TX 77503                  | 903-792-4689 |
| Clark Jones                                              | <b>OK</b> Tulsa                           | 3498 Summerhill Rd.<br>Texarkana, TX 77503                  | 903-792-4689 |
| Kelly Reed                                               | <b>OR</b> Eugene                          | 1175 Highway 99 N<br>Eugene, OR 97402                       | 541-686-0044 |
| Emeka Okoli                                              | <b>PA</b> Chester/Montgomery              | 53 Darby Road<br>Ste. 2<br>Paoli, PA 19301                  | 484-459-3032 |
| Bill Mercer                                              | <b>PA</b> Philadelphia                    | 13440 Damar Dr.<br>Unit S-17<br>Philadelphia, PA 19116      | 267-398-4484 |
| Rick Seese                                               | <b>PA</b> Pittsburgh                      | 916 Thomas 84 Road<br>Eighty-Four, PA 15330                 | 724-554-4247 |
| Joseph Carreiro                                          | <b>RI</b> Greater Rhode Island            | 149 Watch Hill Rd.                                          | 401-374-6020 |

|                                 |                               |                                                           |              |
|---------------------------------|-------------------------------|-----------------------------------------------------------|--------------|
|                                 |                               | Westerly, RI 02891                                        |              |
| David Cartwright                | SC Charleston                 | 7652 Fayetteville Rd.<br>N Charleston, SC 29418           | 321-636-3897 |
| Ryan Badeaux                    | SC Columbia                   | 239 Dreher Road<br>West Columbia, SC<br>29169             | 803-331-7302 |
| Trent Henderson                 | SC Greenville                 | 1265 Springdale Drive<br>Cowpens, SC 29330                | 864-621-1021 |
| Kevin Winkler                   | SC Myrtle Beach               | 3014 Old Bryan Drive<br>Myrtle Beach, SC 29577            | 843-241-0936 |
| Trent Henderson                 | SC Spartanburg                | 1265 Springdale Drive<br>Cowpens, SC 29330                | 864-621-1021 |
| Tony Graham                     | TN Chattanooga                | 3005 Cedar Ridge Trail<br>Friendswood, TX 77546           | 281-787-9484 |
| Don Marks & Mirandy White       | TN Knoxville                  | 1000 Cakebread Court<br>Franklin, TN 37067                | 423-943-3098 |
| James Wilkins                   | TN Memphis                    | P.O. Box 341758<br>Memphis, TN 38184                      | 901-210-2762 |
| Mirandy White and Rob Reynolds  | TN Nashville                  | 1000 Cakebread Court<br>Franklin, TN 37067                | 423-943-3098 |
| Shane Wilcox                    | TN Sullivan County            | 3119 Bristol Hwy, suite<br>218<br>Johnson City TN 37601   | 423-946-3093 |
| Mirandy White                   | TN Washington/Carter Counties | 1000 Cakebread Court<br>Franklin, TN 37067                | 423-943-3098 |
| Dwight Yoder                    | TX Abilene                    | 508 Ash Ave.<br>McAllen, TX 78501                         | 956-984-9101 |
| Noel Norwood and Mike Cannetti  | TX Amarillo                   | P.O. Box 131809<br>The Woodlands, TX<br>77393             | 832-642-7626 |
| Jim Fetherman and Larry Pietsch | TX Austin                     | 720 N. 3 <sup>rd</sup> Street<br>Temple, TX 76501         | 254-773-0122 |
| Christine Bordelon              | TX Beaumont                   | P.O. Box 1316<br>Breaux Bridge, LA70517                   | 337-303-0871 |
| Dwight Yoder                    | TX Brownsville/McAllen        | 508 Ash Ave.<br>McAllen, TX 78501                         | 956-984-9101 |
| Jim Fetherman and Larry Pietsch | TX Bryan/College Station      | 720 N. 3 <sup>rd</sup> Street<br>Temple, TX 76501         | 254-773-0122 |
| Ron & Debbie Vice               | TX Collin County              | 6841 Virginia Pkwy<br>Suite 103-313<br>McKinney, TX 75071 | 972-540-5777 |
| Noel Norwood and Mike Cannetti  | TX Conroe                     | P.O. Box 131809<br>The Woodlands, TX<br>77393             | 832-642-7626 |
| Robert Keys                     | TX Corpus Christi             | 5724 Leopard Street<br>Corpus Christi, TX<br>78408        | 361-289-1641 |
| Ron & Debbie Vice               | TX Dallas/Ft. Worth           | 6841 Virginia Pkwy<br>Suite 103-313<br>McKinney, TX 75071 | 972-540-5777 |
| John Signorino                  | TX El Paso                    | 7097 Century Plant<br>El Paso, TX 79912                   | 915-996-5945 |
| Tim Valenta                     | TX Ellis/Johnson Counties     | 4029 Windmill Ridge<br>Circle<br>Red Oak, TX 75154        | 903-875-8097 |



|                                 |                                          |                                                             |               |
|---------------------------------|------------------------------------------|-------------------------------------------------------------|---------------|
| Tony Graham                     | <b>TX</b> Houston/Galveston              | 3005 Cedar Ridge Trail<br>Friendswood, TX 77546             | 281-787-9484  |
| Jim Fetherman and Larry Pietsch | <b>TX</b> Killeen                        | 720 N. 3 <sup>rd</sup> Street<br>Temple, TX 76501           | 254-773-0122  |
| Noel Norwood and Mike Cannetti  | <b>TX</b> Lubbock                        | P.O. Box 131809<br>The Woodlands, TX 77393                  | 281-363-3442  |
| Noel Norwood and Mike Cannetti  | <b>TX</b> Midland/Odessa                 | P.O. Box 131809<br>The Woodlands, TX 77393                  | 281-363-3442  |
| Noel Norwood                    | <b>TX</b> San Angelo                     | P.O. Box 131809<br>The Woodlands, TX 77393                  | 281-363-3442  |
| Jim Fetherman and Larry Pietsch | <b>TX</b> San Antonio                    | 720 N. 3 <sup>rd</sup> Street<br>Temple, TX 76501           | 254-773-0122  |
| Jim Fetherman and Larry Pietsch | <b>TX</b> Temple                         | 720 N. 3 <sup>rd</sup> Street<br>Temple, TX 76501           | 254-773-0122  |
| Clark and Kristi Jones          | <b>TX</b> Texarkana                      | 3498 Summerhill Rd<br>Texarkana, TX 77503                   | 903-792-4689  |
| Clark and Kristi Jones          | <b>TX</b> Tyler/Longview                 | 3498 Summerhill Rd.<br>Texarkana, TX 77503                  | 903-792-4689  |
| Marty Rabalais                  | <b>TX</b> Victoria/Kerr County           | 308 E. Juan Linn<br>Victoria, TX 77901                      | 361-212-7850  |
| Jim Fetherman and Larry Pietsch | <b>TX</b> Waco                           | 720 N. 3 <sup>rd</sup> Street<br>Temple, TX 76501           | 251-773-0122  |
| Michael Lucas                   | <b>VA</b> Newport News/Hampton/Norfolk   | P.O. Box 884<br>Manvel, TX 77578                            | 281-352-8902  |
| Jeff Watson                     | <b>VA</b> Prince William/Loudon Counties | 2805 Piper Glenn Court<br>Dumfries, VA 22026                | 571-550-0223  |
| Emmanuel Agbila                 | <b>VA</b> Richmond                       | 3300Somerset Ln.<br>Fredericksburg, VA 22407                | 571-384-0175  |
| Jeffrey Hoyt                    | <b>WA</b> King County                    | 921 5 <sup>th</sup> Ave, Suite C4<br>Kirkland, WA 98033     | 360-280-6394  |
| Jeff McMillin                   | <b>WA</b> Spokane                        | 16411 N. Dawn Court<br>Nine Mile Falls, WA 99026            | 509-230-8537  |
| Chris Colbert                   | <b>WI</b> Eau Claire                     | 3132 Louis Rd.<br>Suite 107<br>Eau Claire, WI 54703         | 715-379-4151  |
| Matthew Laketa                  | <b>WI</b> Green Bay                      | W7439 Spring Valley Dr.<br>Greenville, WI 54942             | 920-410-8487  |
| David Cartwright                | <b>WI</b> Milwaukee                      | 3015 S. Shore Drive<br>Milwaukee, WI 53207                  | 414-294-4022  |
| Jeannie Yek                     | <b>Canada</b> – Brampton, Caledon        | PMB 3197<br>1711 Cudaback Avenue<br>Niagara Falls, NY 14303 | 905-913-9288  |
| Ron Murray                      | <b>Canada</b> – Edmonton, Alberta        | 524 Stewart Cres SW<br>Edmonton, AB T6X0A8                  | 587- 591-4060 |
| Adam Merrett                    | <b>Canada</b> – Halton Region, Ontario   | 987 Cresthampton Lane<br>Mississauga, Ontario L5H2X2        | 905-278-5662  |
| Jeannie Yek                     | <b>Canada</b> – Mississauga, Ontario     | PMB 3197<br>1711 Cudaback Avenue<br>Niagara Falls, NY 14303 | 905-913-9288  |

|                                   |                                                             |                                                                |               |
|-----------------------------------|-------------------------------------------------------------|----------------------------------------------------------------|---------------|
| Brent Foster                      | <b>Canada</b> – Simcoe County, Ontario                      | 297 Greenwood Drive<br>Angus, ON L0M 1B4                       | 705-309-91200 |
| Todd Coupal                       | <b>Canada</b> – Vancouver                                   | 260 West 18 <sup>th</sup> Street<br>N. Vancouver, BC<br>V7M1W6 | 604-767-6807  |
| Tim Georgeoff                     | <b>Canada</b> – Ottawa, Ontario                             | 2617 Egan Road<br>Ottawa, Ontario<br>K1V8M9                    | 613-612-6428  |
| Laurie Rogers and Kirsten Goodman | <b>Canada</b> – Maritime, Nova Scotia                       | 4620 Concession 11 RR1<br>Puslinch Ontario<br>NOB2J0           | 647-225-2166  |
| Igor Kotliarsky                   | <b>Canada</b> – Victoria/Nanaimo Areas,<br>British Columbia | 788 Ironwood Pl<br>Victoria BC V8Y0A2                          | 250-217-8771  |
| Vilmars Forstmanis                | <b>Canada</b> – London, Windsor, Sarnia                     | 637 Winners Circle<br>Corunna, Ontario<br>N0N 1G0              | 226-886-3343  |

**EXHIBIT I**

**FRANCHISEES WHO HAVE LEFT THE SYSTEM**

**Exhibit I****Franchisees Who Have Left the System  
Fiscal Year 2021**

| Franchise Owner | Location                        | Address                                               | Phone Number |
|-----------------|---------------------------------|-------------------------------------------------------|--------------|
| Shawn Dockery   | <b>FL</b> Ft. Myers             | P.O. Box 60906<br>Ft. Myers, FL 33906                 | 239-936-4161 |
| Paul Pien       | <b>DC</b> Washington Metro      | 5210 Locust Avenue<br>Bethesda, MD 20814              | 301-560-3122 |
| Tim Tetarenko   | <b>UT</b> Provo/Salt Lake/Ogden | 1042 E. Fort Union Blvd.<br>#395<br>Midvale, UT 84047 | 337-233-6211 |

**EXHIBIT J**

**OPERATIONS MANUAL TABLE OF CONTENTS**

# Pop-A-Lock®

## Confidential Franchise Operations System

### Table of Contents

#### Volume I

|                   |          |
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*No exhibits are included for this section at this time.*

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**TOTAL NUMBER OF PAGES IN CONFIDENTIAL OPERATIONS MANUAL:382  
PAGES**

### **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:

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| California   | Pending               |
| Illinois     | Pending               |
| Indiana      | Pending               |
| Michigan     | Pending               |
| Minnesota    | Pending               |
| New York     | Pending               |
| North Dakota | Pending               |
| Rhode Island | 9/30/21               |
| South Dakota | Pending               |
| Washington   | Pending               |
| Wisconsin    | 9/24/21               |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT K**

**RECEIPTS**

**RECEIPT**

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Pop-A-Lock offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. However, some state franchise laws, including New York, require Pop-A-Lock to provide this Disclosure Document to you at the first personal meeting held to discuss the franchise sale or at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Pop-A-Lock does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency.

The name, principal business address, and telephone number of each franchise seller is as follows:

Michael Kleimeyer  
1018 Harding St.  
Suite 101  
Lafayette, LA 70503  
337-233-6211

Monique Hymel  
1018 Harding St.  
Suite 101  
Lafayette, LA 70503  
337-233-6211

We authorize the agents listed in **Exhibit B** to receive service of process for us. Issuance Date: July 26, 2022

I have received a Disclosure Document that included the following Exhibits:

- |                                                                         |                                        |
|-------------------------------------------------------------------------|----------------------------------------|
| A Federal and State Franchise Administrators and Regulatory Authorities | F Licensed Marks                       |
| B List of Registered Agents                                             | G Financial Statements                 |
| C Franchise Agreement                                                   | H List of Franchisees                  |
| D Form of General Release                                               | I Franchisees Who Have Left the System |
| E State-specific Addenda and Agreement Amendments                       | J Operations Manual Table of Contents  |
|                                                                         | K Receipts (2 copies)                  |

\_\_\_\_\_  
Date Received

\_\_\_\_\_  
Prospective Franchisee

\_\_\_\_\_  
Name (please print)

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**RECEIPT****(Copy 2 – to be signed and dated by prospective franchisee, and returned to the franchisor)**

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 Pop-A-Lock offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. However, some state franchise laws, including New York, require Pop-A-Lock to provide this Disclosure Document to you at the first personal meeting held to discuss the franchise sale or at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Pop-A-Lock does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency.

The name, principal business address, and telephone number of each franchise seller is as follows:

Michael Kleimeyer  
1018 Harding St.  
Suite 101  
Lafayette, LA 70503  
337-233-6211

Monique Hymel  
1018 Harding St.  
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| D Form of General Release                                               | I Franchisees Who Have Left the System |
| E State-specific Addenda and Agreement Amendments                       | J Operations Manual Table of Contents  |
|                                                                         | K Receipts (2 copies)                  |

\_\_\_\_\_  
Date Received

\_\_\_\_\_  
Prospective Franchisee

\_\_\_\_\_  
Name (please print)

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**RETURN THIS RECEIPT TO:**

SystemForward America, LLC  
1018 Harding Street, Suite 101  
Lafayette, Louisiana 70503