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Department of
Business Oversight

# FRANCHISE DISCLOSURE DOCUMENT

Real Living Real Estate, LLC
A Delaware Limited Liability Company
18500 Von Karman Avenue, Suite 400
Irvine, California 92612
(866) 373-6228
http //www realliving com/pages/about-real-living/contact-us
www RealLiving com

The franchise offered is to operate a real estate brokerage business

The total investment necessary to begin operation of a Real Living franchise business ranges from $31,790 to $193,466 This includes $20,000 for the first office in a market area Each additional location is $2,500 and each restricted purpose location is $1,000 in that market area and must be paid to the franchisor

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 formats, contact Jasmin Draper at 18500 Von Karman Avenue, Suite 400, Irvine, California 92612, (949) 794-7900

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

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

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

**Issuance Date May 1, 2017**

## STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT

Call the state franchise administrator listed in **Exhibit E** for information about the franchisor or about franchising in your state

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW

Please consider the following RISK FACTORS before you buy this franchise

THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION, MEDIATION OR LITIGATION ONLY IN CALIFORNIA OUT-OF-STATE ARBITRATION, MEDIATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT MAY ALSO COST MORE TO ARBITRATE, MEDIATE OR LITIGATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE

THE FRANCHISE AGREEMENT REQUIRES THAT DELAWARE LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW YOU MAY WANT TO COMPARE THESE LAWS

YOUR SPOUSE MUST ALSO SIGN A PERSONAL GUARANTY MAKING YOUR SPOUSE INDEPENDENTLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT THE GUARANTY WILL PLACE YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS

YOU MUST MAINTAIN MINIMUM SALES PERFORMANCE LEVELS IF YOU FAIL TO DO SO, THE FRANCHISOR COULD TERMINATE YOUR FRANCHISE AND YOU COULD LOSE YOUR INVESTMENT

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

Effective Dates See the next page for state effective dates

**REAL LIVING REAL ESTATE, LLC**
**STATE REGISTRATIONS**

The following states 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 Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates

| | |
|---|---|
| California | Pending |
| Hawaii | Pending |
| Illinois | Pending |
| Indiana | Pending |
| Maryland | Pending |
| Michigan | November 25, 2016 |
| Minnesota | Pending |
| New York | Pending |
| North Dakota | Pending |
| Rhode Island | Pending |
| South Dakota | Pending |
| Virginia | Pending |
| Washington | Pending |
| Wisconsin | Pending |

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

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise

(a) A prohibition on the right of a franchisee to join an association of franchisees

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation This subsection applies only if (i) The term of the franchise is less than 5 years and (ii) The franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances This section does not require a renewal provision

(f) A provision requiring that arbitration or litigation be conducted outside this state This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise Good cause shall include, but is not limited to

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c)

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services

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

Any questions regarding this Notice should be directed to

State of Michigan
Office of the Attorney General
Consumer Protection Division
Attn Franchise
670 G Mennen Williams Building, 7th Floor
525 West Ottawa Street
Lansing, Michigan 48909
(517) 373-1110

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**Exhibits**



APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT THESE ADDITIONAL DISCLOSURES OR STATE SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT, IF ANY, APPEAR IN THE STATE ADDENDA AT EXHIBIT G, EXCEPT THAT ADDITIONAL DISCLOSURES RELATED TO MICHIGAN LAW CAN BE FOUND RIGHT BEFORE THIS TABLE OF CONTENTS

## ITEM 1

## THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document, "**we**" "**us**" or "**our**" means Real Living Real Estate, LLC, the franchisor "**You**" means the person or company that buys the franchise If the franchisee is a corporation, partnership, limited liability company or other entity, "**you**" may also refer to its owners "**Franchise Agreement**" means the Real Estate Brokerage Franchise Agreement, which is **Exhibit A**

We are a limited liability company formed in Delaware on December 3, 1999 under the name GMAC Real Estate, LLC We changed our name in November 2009 to our current name, Real Living Real Estate, LLC Our principal business address is 18500 Von Karman Avenue, Suite 400, Irvine, California 92612 Information about our affiliates that offer franchises is described later in this Item

Our predecessor is Real Living Network Services, Inc , an Ohio corporation that was formed on February 13, 1981 Our predecessor's address is 77 East Nationwide Boulevard, Columbus, Ohio 43215 We acquired the assets of the Real Living franchise system and network from our predecessor and its parent, Real Living, Inc , an Ohio corporation that was formed on December 28, 2001, in November 2009

Our parent companies and their principal addresses are (1) HSF Affiliates LLC at 18500 Von Karman Avenue, Suite 400, Irvine, California, 92612, (2) HS Franchise Holding, LLC at 333 South Seventh Street, 27th Floor, Minneapolis, Minnesota 55402, (3) HomeServices of America, Inc at 333 South Seventh Street, 27th Floor, Minneapolis, Minnesota 55402, and (4) Berkshire Hathaway Energy, 666 Grand Avenue, Suite 500, Des Moines, Iowa 50309 None of them has offered franchises in any other line of business

**Our Business**

We offer the franchise system to operate real estate businesses under the name Real Living Real Estate ("Real Living") We do not conduct other business activities and we do not operate Real Living real estate brokerage businesses ourselves

**Franchised Business**

You will operate a real estate brokerage business under the name Real Living using our system This will involve the business of listing, offering, selling, exchanging, managing, auctioning, leasing and renting real estate, representing sellers, purchasers, lessors and renters of real estate in exchange for a fee, commission or other compensation, and providing marketing and consulting services or other fee-generating activities The market for your franchised business is the real estate brokerage industry and involves residential real estate consisting of four or fewer units It also involves commercial real estate consisting of all other properties if the listing price is less than $25,000,000 It does not involve the sale of insurance, brokerage of business opportunities or mortgage brokerage or origination We do not grant you territorial rights in a market area and we do not regulate the number of agents you have

You may operate certain additional types of offices as part of your business You will use them for purely administrative purposes and for the housing of relocation administration personnel only, temporary tract sales offices, new homes subdivisions or developments to sell property in those subdivisions or developments and information kiosks The number of offices and agents may vary from franchise to franchise

## Market and Competition

The residential real estate brokerage industry is a mature industry The market for your services will depend on the number of active buyers and sellers in your geographic area, the condition of the market and the number of other established real estate companies in your geographic area Your competitors include other real estate brokerages, both independent and franchised The residential real estate market tends to be cyclical and typically is affected by changes in general economic conditions

## Industry-Specific Regulation

There are specific state and federal laws and standards that regulate the real estate industry All states have laws that regulate real estate operations and that require real estate brokers and their salespersons or sales agents to hold state licenses These laws and standards vary from state to state Attached to this disclosure document as **Exhibit I** is a list of state laws requiring licenses for real estate brokers and agents current as of the date this disclosure document was issued Some states also require franchised real estate brokers to identify themselves as franchised real estate brokers when offering their services to the public

You must also comply with local laws and regulations and you may need to obtain other licenses to operate your Real Living real estate brokerage These may include laws affecting the terms of your real estate and employment agreements and that require you to obtain a business or similar license

Your Real Living real estate brokerage will also be subject to the federal Real Estate Settlement Procedures Act of 1974 (commonly known as RESPA) and the Fair Housing Act

You should consult with your attorney to learn more about specific state and federal laws applicable to your Real Living real estate brokerage You will be required to comply with all applicable laws at your own expense

## Prior Business Experience

We have offered franchises for real estate brokerage businesses beginning in March 2000 From March 2000 until November 2009, we offered franchises for real estate brokerage businesses under the GMAC Real Estate brand After November 2009, we offered franchises under the Real Living brand We also previously operated real estate brokerage businesses in select markets, but we stopped doing so in December 2009 We began offering area development rights in 2010, but no longer do so Neither we nor our affiliates have offered franchises in other lines of business

Our predecessor, Real Lıvıng Network Servıces, Inc , offered franchıses for real estate brokerage busınesses from August 1981 through November 2009 It has not offered franchıses ın other lınes of busıness and dıd not operate real estate brokerage busınesses ıtself

We have the followıng affilıates that offer franchıses for real estate brokerage busınesses None of them have offered franchıses ın other lınes of busıness

BHH Affilıates, LLC began offerıng franchıses to operate real estate brokerage busınesses under the name "Berkshıre Hathaway HomeServıces" on March 22, 2013 It does not operate real estate brokerage busınesses ıtself as of the date thıs Franchıse Dısclosure Document was ıssued BHH Affilıates, LLC ıs a Delaware lımıted lıabılıty and ıts prıncıpal busıness address ıs 18500 Von Karman Avenue, Suıte 400, Irvıne, Calıfornıa 92612

BRER Affilıates LLC (formerly known as Prudentıal Real Estate Affilıates, Inc ) ("PREA"), has operated the "Prudentıal Real Estate" franchıse system sınce February 2004 It does not operate real estate brokerage busınesses ıtself as of the date thıs Franchıse Dısclosure Document was ıssued It ıs a Delaware lımıted lıabılıty company wıth ıts prıncıpal busıness address at 18500 Von Karman Avenue, Suıte 400, Irvıne, Calıfornıa 92612

Reece & Nıchols Allıance, Inc ıs the franchısıng subsıdıary operatıon of Reece & Nıchols Realtors, Inc and offers franchıses ın the States of Kansas and Mıssourı It began offerıng franchıses ın 2001 Its prıncıpal busıness address ıs 11601 Granada Lane, Leawood, Kansas 66211

Roy H Long Realty Company, Inc has operated the "Long Realty" real estate brokerage franchıse system sınce 1997 Its prıncıpal busıness address ıs 900 E Rıver Road, Suıte 100, Tucson, Arızona 85718

Iowa Realty Co , Inc has operated the "Iowa Realty" real estate brokerage franchıse system sınce August 1972 Its prıncıpal busıness address ıs 3501 Westown Parkway, West Des Moınes, Iowa 50266

Intero Franchıse Servıces, Inc ıs the franchısıng affilıate of Intero Real Estate Servıces, Inc , and franchıses real estate brokerages usıng the "Intero Real Estate" and "Intero Resorts" servıce marks Intero Franchıse Servıces, Inc has offered franchıses sınce June 2007 Its prıncıpal busıness address ıs 10275 North DeAnza Blvd , Cupertıno, Calıfornıa 95014

## ITEM 2

## BUSINESS EXPERIENCE

**Robert W McAdams, Jr – Presıdent Real Lıvıng Real Estate**

Mr McAdams has been our Presıdent sınce October 2012 and served as our Executıve Vıce Presıdent – Strategıc Servıces from January 2011 to October 2012 Prevıously, he was our Chıef Fınancıal Officer from November 2009 to December 2010

**Chris Stuart – Senior Vice President, Business Development and Operations**

In April 2017, Chris Stuart was appointed as Senior Vice President, Business Development and Operations for our parent company, HSF From January, 2017 to April 2017, Mr Stuart served as Senior Vice President, Franchise Sales, for both BHHS and Real Living Real Estate Mr Stuart has an office in Irvine, CA Previously, Mr Stuart served as Vice President, Franchise Sales for both BHHS and Real Living Real Estate from March, 1, 2016 to December 31, 2016 From March 2015 to February 2016, Mr Stuart was Director – Franchise Sales From January, 2009 to February 2015 Mr Stuart was Executive Vice President and Managing Director – Real Estate Services for Intero Real Estate Services, Inc , located in Cupertino, California

**Patricia M Mansur-Brown - Vice President and General Counsel**

Ms Mansur-Brown has served as a Vice President and General Counsel since October 2012 Ms Mansur-Brown has been a Vice President and General Counsel of PREA since October 2012 Prior to that, she was a Vice President and Corporate Counsel of PREA since October 2001 She has also served as a Vice President and General Counsel of RLRE since October 2012 Prior to that, she was a Vice President and Corporate Counsel of RLRE since December 2011 Ms Mansur-Brown is based in Irvine, California

**David S Beard - Vice President and Corporate Counsel**

Mr Beard has been our Vice President and General Counsel since October 2012 From April 2012 until October 2012, he was our Corporate Counsel and Assistant Secretary He has also served as a Vice President and Corporate Counsel of BHH Affiliates, LLC since October 2012 and as Vice President and Corporate Counsel of BRER Affiliates, LLC since September 2004 Mr Beard is based in Irvine, California

**Rosalie Warner – Vice President, Network Services**

Ms Warner has served as the Vice President of Network Services for both Real Living Real Estate and BHHS since August, 2015 Ms Warner has served as the President of PREA since January, 2015 Ms Warner has an office in Irvine, California Ms Warner was Director of Franchise Sales from May 2011 to December 2014 She was the Vice President and Director of Network Services for PREA from May 2008 to May 2011

The following individuals are members of the Operating Committee of our parent company, HSF Affiliates, LLC

**Ronald J Peltier - Member of the Operating Committee of HSF Affiliates, LLC**

Mr Peltier was named a member of the Operating Committee of HSF Affiliates, LLC in October 2012 Mr Peltier currently serves as Chairman and Chief Executive Officer of HomeServices of America, Inc , located in Minneapolis, Minnesota Mr Peltier has served in that capacity since May 1998

**Robert R Molıne - Member of the Operatıng Commıttee of HSF Affilıates, LLC**

Mr Molıne was named a member of the Operatıng Commıttee of HSF Affilıates, LLC ın October 2012 Mr Molıne currently serves as Presıdent and Chıef Operatıng Officer of HomeServıces of Amerıca, Inc , located ın Mınneapolıs, Mınnesota Mr Molıne has served ın that capacıty sınce March 2008

**Davıd Lacey - Member of the Operatıng Commıttee of HSF Affilıates, LLC**

Mr Lacey was named a member of the Operatıng Commıttee of HSF Affilıates, LLC ın October 2012 In Aprıl 2017, Mr Lacey was named Presıdent & CEO of Waterloo Managed Software Servıces Ltd , ın Waterloo, Ontarıo, Canada From January 2013 untıl Aprıl 2017, Mr Lacey served as the Chıef Executıve Officer of Brookfield RPS ın Toronto, Ontarıo, Canada From January 2007 through December 2012, Mr Lacey served as Managıng Partner, Corporate Development, for Brookfield RPS Lımıted and ıts predecessors, located ın Toronto, Ontarıo, Canada

**Mark Weınberg - Member of the Operatıng Commıttee of HSF**

Mr Weınberg has been a member of the Operatıng Commıttee of HSF Affilıates, LLC sınce October 2012 Mr Weınberg has been a Senıor Vıce Presıdent of Brookfield Asset Management Inc ın New York Cıty, New York sınce May 2006

**Mıchael D Warmka - Member of the Operatıng Commıttee and Vıce Presıdent of HSF Affilıates, LLC**

Mr Warmka was named Vıce Presıdent of BRER Affilıates LLC and became a member of the Operatıng Commıttee of HSF Affilıates, LLC ın October 2012 Mr Warmka ıs the Senıor Vıce Presıdent and Chıef Accountıng Officer of HomeServıces of Amerıca, Inc , located ın Mınneapolıs, Mınnesota, he has held that posıtıon sınce Aprıl 2004

**Dana D Strandmo - Member of the Operatıng Commıttee and Secretary of HSF Affilıates, LLC**

Mr Strandmo was named Secretary of HSF and became a member of the Operatıng Commıttee of HSF ın October 2012 Mr Strandmo was named the Senıor Vıce Presıdent and Chıef Admınıstratıve Officer of HomeServıces of Amerıca, Inc , located ın Mınneapolıs, Mınnesota, ın May 2015 From September 2003 to Aprıl 2015, Mr Strandmo was the Senıor Vıce Presıdent, Legal and General Counsel of HomeServıces of Amerıca, Inc

## ITEM 3

## LITIGATION

A **Pendıng Lıtıgatıon**

No pendıng lıtıgatıon requırıng dısclosure

B **Past Lıtıgatıon**

GMAC Real Estate, LLC v Realty Works, LLC, et al (Amerıcan Arbıtratıon Assocıatıon, Chıcago, Illınoıs, Case No 51 115 00694 08), Realty Works, LLC, et al v GMAC Home Servıces, LLC, et al (Case No 3 09CV1057 (WWE), Unıted States Dıstrıct Court for the Dıstrıct of Connectıcut), and GMAC Real Estate LLC v L Gardner Graves, Jr, et al (Case No 3 10CV815 (RNC), Unıted States Dıstrıct Court for the Dıstrıct of Connectıcut) On May 30, 2008, we ınıtıated an arbıtratıon proceedıng agaınst a former franchısee, Realty Works, LLC, L Gardner Graves, and Julıus R Fıalkıewıcz seekıng money damages ın the amount of $256,481 The defendants filed a counterclaım allegıng fraudulent ınducement, breach of contract, and vıolatıons of statute, seekıng money damages ın the amount of $673,448 83 On August 21, 2009, the defendants filed a separate actıon ın federal court seekıng money damages ın an unspecıfied amount agaınst GMAC HomeServıces, LLC, HR Trust, LLC, HR Trust Servıces, LLC, Ronald Spaın and Janıce Acevedo, allegıng unfaır trade practıces, unfaır ınsurance practıces, fraud, and cıvıl conspıracy, for allegedly ınducıng the defendants to enter ınto the franchıse relatıonshıp by promısıng guaranteed health ınsurance coverage through HR Trust, a thırd party vendor That federal court actıon was voluntarıly dısmıssed by the defendants In the arbıtratıon proceedıng, an order was entered ın March 2010 dısmıssıng 13 of the 14 counterclaıms, but rulıng ın favor of the counterclaım based on an alleged vıolatıon of statute The arbıtrator awarded damages of $54,052 53 plus attorney's fees On May 25, 2010, we filed an actıon ın federal court to vacate the arbıtratıon award ın whole or ın part On December 7, 2011, the Unıted States Dıstrıct Court for the Dıstrıct of Connectıcut denıed our petıtıon to vacate the award, thereby affirmıng the arbıtrator's award ın ıts entırety On January 6, 2012, we filed an appeal of the dıstrıct court's order wıth the Unıted States Court of Appeals for the Second Cırcuıt On December 27, 2012, the appellate court affirmed the judgment of the dıstrıct court The amount of the arbıtratıon award was subsequently paıd to the remaınıng defendants ın 2013

Laurum Marketıng, Inc v GMAC Real Estate, LLC (Case No CV-08-7731, Superıor Court of Justıce, Ontarıo, Canada) On September 17, 2008, our area developer and master franchısee ın Canada, Laurum Marketıng, Inc , filed suıt agaınst us seekıng, among other thıngs, a declaratory judgment that ıt was entıtled to renew ıts Area Development Agreement wıth us upon ıts expıratıon ın 2011 The Court ruled on January 29, 2009 that the plaıntıff had met ıts oblıgatıon to open the desıgnated number of offices requıred ın the Area Development Agreement and that the plaıntıff had the rıght to renew the Area Development Agreement through 2021

Laurum Marketıng, Inc , et al v GMAC Real Estate, LLC and GMAC Home Servıces, Inc (Case No 09-8345-00CL, Superıor Court of Justıce, Commercıal Lıst, Ontarıo, Canada) On September 18, 2009, our area developer and master franchısee ın Canada Laurum Marketıng, Inc filed suıt agaınst us allegıng, among other thıngs, that we faıled to provıde sufficıent benefits and support to Laurum Marketing, Inc , that our parent company operated brands that competed with Laurum and its sub-franchisee network, that we conducted an audit in bad faith, and that we had "orphaned" Laurum with a brand that was discontinued in the United States Laurum sought money damages of approximately $11 million We filed a Statement of Defense on November 25, 2009 In August 2010, we reached a settlement with Laurum under which Wyn RE Network LP, an affiliate of our then-owner, Brookfield Real Estate Services Ltd , purchased Laurum's assets for a $1 8 million payment that included a partial holdback and other conditions

Pacific Union International, Inc v Real Living Real Estate, LLC On July 9, 2014, Pacific Union filed a demand for arbitration against Real Living, with the American Arbitration Association in Orange County, in a case entitled Pacific Union International, Inc v Real Living Real Estate, LLC, Case No 01-14-0000-8989 (the "Arbitration") The demand for arbitration in the Arbitration contained causes of action for Breach of Agreement, Breach by De Facto Termination of the Real Living Franchise, Breach of the Covenant of Good Faith and Fair Dealing, Fraud, Negligent Misrepresentation, Rescission for Failure of Consideration, Declaratory Relief, Negligence, Negligent Breach of Duty, Promissory Estoppel, and alleging that the contractual limitations provisions in the franchise agreement were not valid Real Living denied the allegations contained in the demand for arbitration On or about August 27, 2014, Real Living filed an amended response and answering statement and counterclaim to the demand for arbitration in the Arbitration The counterclaim contained causes of action for Fraud and Declaratory Relief Pacific Union denied the allegations contained in the amended response and answering statement and counterclaim to the demand for arbitration Pacific Union and Real Living settled the case in October of 2014 following mediation Pacific Union paid Real Living $2,500,000 and the franchise agreement was terminated

Real Living Real Estate, LLC v SCS Realty Investment Group, LLC and Richard L Schlott (Originally filed in Superior Court of New Jersey Chancery Division Ocean County, Case No C-107-14, moved to Judicial Arbitration and Mediation Services ("JAMS"), Case Reference No 1425016639, filed on July 17, 2014) On May 29, 2014, Real Living filed a complaint and petition for arbitration in New Jersey state court to compel defendants SCS Realty Investment Group, LLC ("SCS") and the guarantors of the franchise agreement, Richard L Schlott ("Schlott"), John Schepisi, J Fletcher Creamer IV, Dale Creamer and Glenn Creamer to proceed to arbitration on Real Living's claims that the defendants breached the parties' franchise agreement and endorsement Thereafter, Real Living dismissed its claims against John Schepisi, J Fletcher Creamer IV, Dale Creamer, and Glenn Creamer, stayed the complaint against SCS and Schlott and proceeded to arbitrate its claims against SCS and Schlott In the arbitration, Real Livng has asserted that SCS breached the franchise agreement and that Schlott breached his endorsement by failing to pay royalty fees and other fees and unilaterally terminating the franchise agreement before its expiration Real Living seeks damages in excess of $5,000,000 SCS and Schlott denied Real Living's allegations and asserted a counterclaim for declaratory relief that Real Living's claims are untimely and that the franchise agreement should be canceled as void for failure of consideration Real Living's counterclaim regarding the timeliness of Real Living's claims was denied by the arbitrator on February 20, 2015 The arbitration hearing was conducted from June 13, 2016 through June 23, 2016 On November 22, 2016, the arbitrator issued an interim award which affirmed the denial of all counterclaims asserted by SCS and Schlott and awarded Real Living damages of $7,942,200, plus an award of attorneys' fees, arbitration fees and other costs in an amount to be determined later The parties settled the matter on April 3, 2017

Except as described above, no litigation is required to be disclosed in this Item

## ITEM 4

## BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item

## ITEM 5

## INITIAL FEES

When you sign a Franchise Agreement you must pay us a non-refundable initial franchise fee of $20,000 for your first office, plus $2,500 for each additional office, and $1,000 for a restricted purpose location Restricted purpose locations include the following (a) an office used for purely administrative purposes and for the housing of relocation administration personnel only, (b) a temporary tract sales office in a new homes subdivision or development to sell property in that subdivision or development, (c) an information kiosk, or (d) a facility located away from your approved Location(s) that is set up for the convenience of sales professionals only and not to conduct day to day business with clients

We also may offer incentives that reduce the total initial cost of affiliating with Real Living This cost reduction may take the form of a waiver of all or part of the initial franchise fee, an abatement or reduction of royalty fee payments for a period of time we specify, or another form of financial incentive

The initial franchise fee is not refundable under any circumstances

## ITEM 6

## OTHER FEES

| Column 1<br>Type of Fee | Column 2<br>Amount | Column 3<br>Due Date | Column 4<br>Remarks |
|---|---|---|---|
| Additional Location Fee | $2,500 | Before opening an additional location | See Note 1 |
| Restricted Purpose Location Fee | $1,000 | Before opening a restricted purpose location | See Note 2 |
| Continuing Royalty | You will have the option to select one of two ways in which to calculate your royalty fee<br>Option 1 A sliding scale of 5% to 1% of annual gross revenues The minimum annual royalty fee for this option is $7,500<br>Option 2 A sliding scale of | Royalties calculated on Gross Revenue (Option 1) are due on the business day after transactions are reported Royalties calculated per agent (Option 2) will be due on the 10th day of each month Gross Revenue must be reported | See Note 3 |

| Column 1<br>Type of Fee | Column 2<br>Amount | Column 3<br>Due Date | Column 4<br>Remarks |
|---|---|---|---|
| | 1 50% to 1 00% of annual gross revenues, plus a sliding scale of $120 to $60 per month per sales associate, depending on the number of sales associates The minimum annual royalty fee for this option is the higher of $7,500 or 1 50% of your annual Gross Revenue<br>If you are a start-up real estate brokerage in business for less than twelve months, you will be required to utilize Option 1 for the first two years of your franchise agreement with us | within 7 days after the closing of every transaction | |
| Referral Fee | $300 | Annually | See Note 4 |
| Failure to Promote Our Service Marks | Amount equal to your continuing royalties due during preceding two years | Upon demand | See Note 5 |
| Regional Event Registration Fee | Standard registration fee for 1 person approximately $300 | The first day of the year in which the event is to be held | See Note 6 |
| Annual Event Registration Fee | Standard Registration – each person $400 - $559 | Annually | See Note 6 |
| Reimbursement for cost of Software Support Agreement | Our costs | Upon receipt of invoice | See Note 7 |
| Administrative Processing Fee | $250 | Upon receipt of invoice | See Note 8 |
| Real Living 360 Service® Office Registration Fee | Currently $100 per office location, up to maximum of $500 for all office locations | Due upon registration | See Note 9 |
| Real Living 360 Service® Survey Fee | Currently $3 50 per survey mailed to a buyer or seller If email addresses are provided, there is no survey cost to send surveys to recipients electronically | Billed monthly, based on report of closed transactions (first and last months are billed in advance, based on estimated annual usage) | See Note 9 |
| Late Payment Charge | 12 5% per annum | Upon receipt of invoice | See Note 10 |
| Collection Fee | Our costs | Upon receipt of invoice | See Note 11 |
| Examination Charge | All costs incurred by us in | Upon receipt of invoice | See Note 12 |

| Column 1<br>Type of Fee | Column 2<br>Amount | Column 3<br>Due Date | Column 4<br>Remarks |
|---|---|---|---|
| | connection with the cancellation of an examination, if your gross revenue was understated by more than 2% or if your financial records require extraordinary work by the examiner | | |
| Additional Training Fees | Our then-current training course fee, fees vary for optional training programs | As incurred | See Note 13 |
| Indemnity/ Cost of Defense | Payment of our losses and costs | Upon receipt of invoice | See Note 14 |
| Competition Damages | Royalties and other fees | Upon demand | See Note 15 |
| Transfer and Processing Fee | $1,000 | When you apply for transfer approval other than for transfers between certain family members | See Note 16 |
| Securities Offering Fee | $10,000 plus our expenses | When you request approval for transfer | See Note 17 |
| Default Cure Fee | Our costs and expenses | Upon demand | See Note 18 |
| Attorney's Fees | Our fees and costs in certain types of disputes | Upon demand | See Note 19 |

All fees are imposed by and are payable to us, unless otherwise noted We may vary the frequency and method of payment We require you to set up a depository checking account to which we have access in order to withdraw payments you owe us from your bank account You must maintain a balance of $1,500 in the account All fees are uniformly imposed and non-refundable, unless otherwise specifically noted If you are located in a state and the state or local taxing authority imposes a tax on any payment you are required to make to us (either by requiring you to withhold the amount of the tax or by requiring us to pay it), you must pay us the difference between the payment as originally calculated and the payment we receive from you after deducting the tax We may periodically increase certain fees in the chart based on increases in the consumer price index

**Notes**

1 You must pay this fee if you open an additional location (other than a restricted purpose location described in Note 2) after the effective date of your Franchise Agreement

2 You must pay this fee to open the following after the effective date of your Franchise Agreement (a) an office used for purely administrative purposes and for the housing of relocation administration personnel only, (b) a temporary tract sales office in a new homes subdivision or development to sell property in that subdivision or development, (c) an information kiosk, or (d) a facility located away from your approved

Location(s) that is set up for the convenience of sales professionals only and not to conduct day in day out business with clients These are each considered a restricted purpose location

3 Except as set forth below, we offer two different methods to compute your continuing royalty Before you sign your Franchise Agreement, you select the method you prefer You may change the continuing royalty effective on the first day of an anniversary year You must give us no less than 60 days' advance written notice of an election to change this method

If you have not conducted a real estate brokerage business for at least twelve months immediately prior to entering into a franchise agreement with us, we will require you to utilize the gross revenues method (Option 1) of calculating and reporting royalty fees for the first two (2) years following the effective date of your franchise agreement You may change to the agent-based method (Option 2) of calculating and reporting royalty fees on the first day of the third anniversary year or on the first day of any anniversary year thereafter

Option 1

You pay a percentage of gross revenues on a monthly basis, according to the following chart When you reach the maximum in a stated range, you begin paying the percentage noted for the next range of gross revenues By way of example only, if you have gross revenues of $2,700,000 during your first year of operation, you will pay $134,000 in continuing royalty consisting of 5% of the first $2,500,000 in gross revenues ($125,000) and 4 5% on the remaining $200,000 of gross revenues ($9,000) At the conclusion of one year of operation, your gross revenues calculation begins again at 0

| Greater Than | To | Continuing Royalty |
|---|---|---|
| $ 0 | $ 2,500,000 | 5 00% |
| $ 2,500,000 | $ 5,000,000 | 4 50% |
| $ 5,000,000 | $ 10,000,000 | 4 00% |
| $ 10,000,000 | $ 15,000,000 | 3 00% |
| $ 15,000,000 | $ 20,000,000 | 2 00% |
| $ 20,000,000 | $ 40,000,000 | 1 50% |
| $ 40,000,000 | and greater | 1 00% |

Gross revenues means the entire amount of money or other consideration received or receivable (earned but not yet received) by you from the operation of your real estate brokerage business, including all commissions, referral fees, or other things of value It does not include anything you receive solely from the management of residential structures of four units or less

Option 2

You pay a royalty that includes two components, the first of which is an amount that equals the highest number of sales professionals employed, licensed or otherwise associated with your real estate brokerage business in any given month, by the applicable multiplier listed below

| Number of Sales Professionals | Multiplier |
|---|---|
| 1 – 30 | $120 |
| 31-50 | $100 |
| 51-70 | $80 |
| 71 and higher | $60 |

The second component of this option is payment of a percentage of gross revenues on a monthly basis, according to the following chart When you reach the maximum in a stated range, you begin paying the percentage noted for the next range of gross revenues By way of example only, if you have gross revenues of $2,000,000 during your first year of operation, you will pay $28,750 in royalty fees consisting of 1 50% of the first $1,500,000 in gross revenues ($22,500) and 1 25% on the remaining $500,000 of gross revenues ($6,250) At the conclusion of one year of operation, your gross revenues calculation begins again at 0

| Greater Than | To | Continuing Royalty |
|---|---|---|
| $ 0 | $ 1,500,000 | 1 50% |
| $ 1,500,000 | $ 5,000,000 | 1 25% |
| $ 5,000,000 | and greater | 1 00% |

For both options, we can reduce a threshold upon 30 days' notice and we can restore a threshold up to the amount set forth above, as increased annually by the same increase in the Consumer Price Index

For option 1, if the aggregate continuing royalty you have paid at the end of each year of operation of your real estate brokerage business is less than $7,500, we can notify you and within 30 days you must pay the difference between $7,500 and the amount you paid during the year

For option 2, if the aggregate continuing royalty you have paid at the end of each year of operation of your real estate brokerage business is less than the higher of $7,500 or 1 50% of your gross revenues, we can notify you and within 30 days you must pay the difference between the higher of $7,500 or 1 50% of your gross revenues, and the aggregate continuing royalty you paid during the year When calculating the aggregate continuing royalty you paid during the year, we will include both the gross revenue component and the sales professional component

For option 1 and for the gross revenues percentage component of option 2, the royalty fee includes gross revenues receivable after expiration or termination of the Franchise Agreement for binding written agreements in effect before the Franchise Agreement expires or is terminated

4 Our parent, HSF Affiliates LLC has created a- referral channel development program for the benefit of all the franchise systems in our parent's family of franchised real estate brokerage companies Your company must participate in this program at a cost of $300 per year If your Franchise Agreement is terminated before its expiration date, we will refund you the pro rata share of this fee for the balance of the year

5 If we determine that you have failed to use and promote our service marks as required by the Franchise Agreement, you must pay this amount as liquidated damages

6 We may periodically arrange regional business conferences for franchisees located in certain regions in the United States and/or an national annual event, at which franchisees participate in various programs with us and other franchisees For regional business events, You will purchase at least 1 full registration package For national annual events, You will purchase at least one full registration package for each Location(s) We will deduct the registration fees from your depository checking account All of your management and sales representatives are strongly encouraged to attend each business conference that is made available

7 If you do not maintain a software support agreement, we may purchase one for you and you must reimburse us for the cost of doing so If you do not purchase and maintain required insurance coverage, we may do so on your behalf and you must reimburse us for the cost of doing so

8 If you do not become active on an approved broker management system within 120 days after signing the Franchise Agreement or if you otherwise fail to comply with electronic reporting requirements, you must pay us an administrative fee for processing your manual transactions

9 We collect and pay this to a third party vendor Participation in Real Living 360 Service® is optional

10 You must pay this amount calculated beginning the date the payment was originally due We will not charge more than the highest interest rate permitted by law

11 You must pay any costs we incur in attempting to collect payments from your depository checking account including charges for insufficient funds, uncollected funds or other discrepancies

12 If Gross Revenues are understated by 2% or more, or your financial records are of such a nature as to require extraordinary examination work by us or our designees, you must pay for the cost of the examination

13 We may require your designated personnel to attend additional training courses, seminars, conferences and other programs and we may charge you a fee for your personnel to attend You are also responsible for the cost of travel, accommodations, meals and salaries for your personnel

14 You must defend us and our affiliates and representatives and pay for any claims and losses to us resulting from the operation of your business You must also indemnify us for any securities offering you make

15 If you or any of your owners act as a real estate broker other than through your Real Living real estate brokerage business or if you become involved in any way in a competing business in violation of the Franchise Agreement, you must pay us damages including continuing royalties and other fees as if the transactions were included in your franchised business You must also provide us with an equitable accounting of all earnings, profits and other benefits you received from the competing business

16 You must pay this fee when you submit a request for certain transfers It is non-refundable There are other conditions to transfer See Item 17

17 If you propose a transfer that requires registration under any securities law, you must pay us this fee when you request our consent You must also reimburse us for any expenses we incur, including attorney's fees, and indemnify us You must avoid any implication that we are participating or endorsing the offering or that you have the right to use our service marks other than in accordance with our direction

18 If you commit a default under the Franchise Agreement and we decide to cure it on your behalf, you must reimburse us for all of our costs and expenses, including attorney's fees that we incur in doing so

19 If there is a dispute between us concerning collection of moneys due, enforcement of indemnifications or regarding use or protection of our service marks, the prevailing party will be entitled to attorney's fees and costs

## ITEM 7

## ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

| Column 1<br><br>Type of expenditure | Column 2<br><br>Amount | Column 3<br><br>Method of Payment | Column 4<br><br>When due | Column 5<br><br>To whom payment is to be made |
|---|---|---|---|---|
| Initial Franchise Fee<br>(Note 1) | $20,000 for first Office, $2,500 for each additional Office and $1,000 for a restricted purpose office | Lump sum | Upon signing Franchise Agreement | Us |
| Travel & living expenses while training | $1,000 to $2,000 | As incurred | During training | Airlines, hotels, restaurants, etc |
| Leasehold Improvements<br>(Note 2) | $0 to $38,081 | As incurred | Before opening | Vendors |
| Real Estate<br>(3 months rent & security deposit)<br>(Note 3) | $4,500 to $11,250 | As incurred | Monthly | Landlord |
| Furniture, Fixtures, Equipment<br>(Note 4) | $0 to $66,128 | As incurred | Before opening | Vendors |
| Building sign(s)<br>(Note 5) | $1000 to $5,000 | Lump sum | Before opening | Vendors |
| Miscellaneous opening costs<br>(Note 6) | $2,645 to $7,934 | As incurred | Before opening | Suppliers, utilities, vendors, etc |
| Opening inventory<br>(Note 7) | $2,645 or more | Lump sum | Before opening | Vendors |
| Additional funds<br>(3 months) (Note 8) | $0 to $44,428 | As incurred | As incurred | Suppliers, utilities, vendors, etc |
| Totals | $31,790 to $193,466 | (Assumes 1 Office with 10 agents, additional agents and/or Offices will increase the estimated total ) | | |

All figures in Item 7 are estimates only Actual costs will vary for each franchisee depending on a number of factors The amounts payable to us are nonrefundable unless otherwise noted The refundability of other amounts depends upon your agreement with the applicable supplier or other party

**Notes**

1 The initial franchise fee is not refundable The initial franchise fee equals $20,000 for your first office within a particular local market area, plus $2,500 for each additional office and 1,000 for each restricted purpose location

2 The Real Living franchise is most often offered to established real estate brokers If you are the operator of an existing real estate brokerage, you may already own or lease the office facilities necessary to operate a Real Living franchise, and we do not impose any additional office facility requirements upon you Thus, the low end of this range is $0 The high end of this range reflects the costs of opening a new office The actual cost of office space improvements will depend upon the size, condition and location of your office premises, and how you choose to decorate the office premises

3 Rent and security deposit depend on the site's size, condition and location and the demand among prospective lessees However, we believe that an average range for leased space is $15 to $25 per square foot, depending on your location, plus a month and a half of rent for a security deposit If you are converting your existing real estate brokerage office, you will not owe a security deposit and will continue to pay your current rent If you are starting a new office, we estimate that you will have 800 to 1,200 square feet of office space for an office with 10 agents We do not require any particular amount or type of office space The exact size of your office will depend on the number of agents and the availability of office space

4 If you are converting your existing real estate brokerage office, you need not incur any additional expense for furniture, fixtures and equipment For a new office, this includes desks and chairs, telephone system, fax machine, copier, computers and other office equipment, and the first year and retail costs of the authorized software

5 This is the estimated cost of a standard building sign Other types of building signs will increase your investment

6 Miscellaneous opening costs include legal and accounting expense, insurance premiums, utility deposits, business licenses and other prepaid expenses As the operator of an existing brokerage, it is not expected that, as a result of your affiliation with us, you will incur any costs of this type other than those you already incur

7 Opening inventory means supplies such as yard signs, stationery, publications and agent identity materials, rather than inventory held for resale We estimate that these items, if you buy them from vendors that we recommend, will cost approximately $2,645 for an office with 10 agents and 50 listings Each additional agent would add between $132 and $159 to this initial investment

8 Additional funds means the additional cash (working capital), beyond that earned by the franchised business, necessary to pay other expenses you incur in operating the business during the first three months after becoming a franchisee If you operate an existing real estate brokerage office, you know what your working capital requirements are The low end of the estimate assumes you operate an existing real estate brokerage business However, we cannot guarantee that you will not have to invest additional cash during the period of time immediately after you become a franchisee These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business Your costs depend on many factors, including how closely you follow our marketing and management methods, your management skill, experience and business acumen, local economic and real estate market conditions, interest rates and competition

We relied on our experience as a franchisor since 1999 to compile these estimates You should review these figures carefully with a business advisor before making any decision to purchase the franchise

Except as disclosed in Item 10, we do not offer direct or indirect financing to franchisees for any items Item 10 discloses information about financing the initial franchise fee and portion of your conversion costs

## ITEM 8

## RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Within 120 days of the effective date of your Franchise Agreement, you must acquire an approved broker management system, which is a software program designed for use in a real estate office to record, track, monitor and report transactions, maintain an accurate sales associate roster and provide office accounting and bookkeeping or an interface to a separate accounting or bookkeeping application You must purchase the broker management system from one of our approved third-party suppliers Alternatively, with our permission, you may utilize a direct data entry method of reporting certain information to us in lieu of obtaining an approved broker management system from a third party

You have no other obligation to purchase or lease other goods, services, supplies, fixtures, equipment, inventory, computer hardware or software from us or designated suppliers However, certain of the goods and services that you will purchase must comply with our standards Specifically, your marketing materials (including, but not limited to, yard signs, stationery and business cards), must comply with our identity standards contained in our Operations Manual and Identity Standards Manual We reserve the right to modify these manuals from time to time

We have no purchasing arrangements or distribution cooperatives that assist our franchisees in buying or leasing goods or services to establish or operate their franchise business, we do not customarily negotiate purchase arrangements with suppliers for the benefit of our franchisees, and neither we nor our affiliates derive revenue or other material consideration from required purchases or leases by franchisees We do not provide material benefits (for example, renewal or granting additional franchises) to a franchisee based on a franchisee's purchase or lease of particular products or services or use of particular suppliers Neither we nor our affiliates are currently an approved supplier of goods or services

We require you to maintain a computer system, a data grade telephone line or other communication device and other computer hardware that we describe in detail in the operations manual to facilitate communication between your computer system and ours We may also require you to add commercial communications systems or capacities in the future at your cost Some examples are electronic mail, Internet capacities and the ability to participate in an Intranet we develop Your system must be in place on the Effective Date of the Franchise Agreement she

You must obtain the insurance coverage required by the Franchise Agreement and described in our Operations Manual You must obtain commercial general liability insurance in the amount of at least $1,000,000 combined single limit bodily injury and property damage liability per occurrence and aggregate You must also obtain automobile liability and physical damage insurance if you operate vehicles in your business in the amount of at least $500,000 In addition, you must secure workers compensation insurance and employers' liability insurance as required by law, and real estate professional's errors and omission insurance with a limit of at least $1,000,000 We have the right to change the required coverage We must be named as an additional insured on all of the above policies along with our parents and affiliates, and we must receive at least 30 days' prior written notice from the insurer of any changes to insurance coverage or default or termination of coverage

Most franchisees are already established businesses at the time they join our system, vary significantly in size and number of sales professionals, and the actual number of referrals received cannot be estimated Therefore the percentage of required purchases to total purchases will vary Required purchases generally constitute less than 5% of a franchisee's total initial investment in the Real Living franchise and of a franchisee's expected operating expenses for a 10-agent, single-office Real Living real estate brokerage business

At this time, no officer of Real Living owns an interest in any required, recommended or approved supplier

## ITEM 9

## FRANCHISEE'S OBLIGATIONS

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

| Obligation | Section in agreement | Disclosure document item |
|---|---|---|
| a Site selection and acquisition/lease | Not Applicable | Items 7 and 11 |
| b Pre-opening purchases/leases | Sections 8 06 and 9 | Items 7 and 8 |
| c Site development and other pre-opening requirements | Sections 4, 8 and 9 | Items 7 and 11 |
| d Initial and ongoing training | Section 8 | Item 11 |
| e Opening | Not Applicable | Item 11 |
| f Fees | Sections 5, 10 02(k), 13 05, 14 02 and 14 08 | Items 5 and 6 |
| g Compliance with standards and policies/operating manual | Section 9 | Item 11 |
| h Trademarks and proprietary information | Sections 7 and 8 06 | Items 13 and 14 |
| i Restrictions on products/services offered | Sections 8 06 and 9 | Items 8 and 16 |
| j Warranty and customer service requirements | Section 8 08 | Not Applicable |
| k Territorial development and sales quotas | Not Applicable | Item 12 |
| l Ongoing product/service purchases | Sections 8 06 and 9 | Item 8 |
| m Maintenance, appearance, and remodeling requirements | Not Applicable | Not Applicable |
| n Insurance | Section 9 09 | Item 8 |
| o Advertising | Sections 5 03 and 7 02 | Items 6 and 11 |

| Obligation | Section in agreement | Disclosure document item |
|---|---|---|
| p Indemnification | Section 10 02(j) and 14 02 | Item 6 |
| q Owner's participation/ management/staffing | Sections 1 and 8 01 | Item 15 |
| r Records and reports | Sections 5 02(f) and 9 10 | Items 6 and 11 |
| s Inspections and Examinations | Section 9 10 | Item 6 |
| t Transfer | Section 10 | Item 17 |
| u Renewal | Section 6 02 | Item 17 |
| v Post-termination obligations | Sections 11 07 and 13 | Item 17 |
| w Non-competition covenants | Sections 9 13 and 11 07 | Item 17 |
| x Dispute resolution | Section 12 | Item 17 |
| y Other Guaranty and Assumption of Franchisee's Obligations (Note 1) | Attachment to Franchise Agreement | Items 9 and 22 |
| z Other Waiver of Right to Trial by Jury | Section 12 07 | Item 17 |

**Notes**

1 Each individual owner of more than 10% of a franchisee that is an entity (and the individual's spouse) must sign a Nondisclosure, Noncompetition, Nontransfer Covenant & Personal Guarantee, assuming and agreeing to discharge all obligations of the "Franchisee" under the Franchise Agreement, an acknowledgement of the assignability of the franchise agreement and guarantee by us, and an agreement to maintain confidentiality and not to compete

# ITEM 10

# FINANCING

## SUMMARY OF FINANCING OFFERED

| Item financed | Source of financing | Down payment | Amount financed | Term (yrs) | Interest rate | Monthly payment | Prepay penalty | Security required | Liability upon default | Loss of legal right on default |
|---|---|---|---|---|---|---|---|---|---|---|
| Conversion Costs | Franchise Term Note | (See Note 1) | (See Note 2) | 60 to 180 months (See Note 3) | 7 5% to 15% (See Note 4) | (See Note 5) | (See Note 6) | (See Note 7) | (See Note 8) | None |

Notes

1 Down payments may be required by third parties with whom you contract to provide supplies and services related to the conversion of your existing business to a Real Living brokerage We do not require any down payment

2 The amount financed wıll be a portıon of the total amount requıred to convert your exıstıng busıness to a Real Lıvıng brokerage The costs of conversıon wıll ınclude costs such as new exterıor sıgns for your Real Lıvıng brokerage, yard sıgns for agents, statıonery and marketıng materıals (A copy of the franchıse term note for conversıon costs ıs attached to thıs dısclosure document as Exhıbıt J )

3 The term can range from 120 – 180 months and wıll ın most cırcumstances be ıdentıcal to the term of your Franchıse Agreement 4 Franchıse Term Notes, conversıon costs or other oblıgatıons wıll bear ınterest at an annual rate rangıng from 7 5% (APR of 7 5%) to 15 0% (APR of 15 0%) ıf prıced usıng a fixed rate of ınterest, and a range of between Prıme and Prıme + 2 5% ıf prıced usıng a floatıng rate, and wıll be payable under the terms of a promıssory note evıdencıng the debt

5 Amounts financed wıll be repaıd ın annual ınstallments In certaın cırcumstances we may offer you an annual rebate of a portıon of your Contınuıng Royalty payments for the purpose of applyıng the rebate amount as a credıt agaınst the annual ınstallment payment due under your franchıse term note

6 Promıssory notes wıll not ımpose prepayment penaltıes but wıll provıde for acceleratıon of payment of prıncıpal ıf a default occurs, eıther under the promıssory note or ıf you default under the Franchıse Agreement

7 Real Lıvıng or ıts affilıate may also requıre that any note be secured by real or personal property

8 All notes wıll provıde that a faılure to make payments under the note wıll also cause you to be ın default of the Franchıse Agreement Real Lıvıng or ıts affilıate wıll requıre your prıncıpals and theır spouses to personally guarantee the debt All notes requıre you to waıve dılıgence, demand, presentment for payment, notıce of non-payment, protest and notıce of protest, notıce of ıntent to accelerate and notıce of acceleratıon, dılıgence ın collectıng or brıngıng suıt agaınst any party and notıce of any renewals, extensıons, and amendments to or modıficatıons of the note, as well as the claımıng of any statute of lımıtatıons as a defense Repayment arrangements may ınclude payment to Real Lıvıng or ıts affilıate of an overrıde above contınuıng royaltıes, whıch ıs then used to pay ınterest and prıncıpal Real Lıvıng does not ıntend to assıgn or dıscount to any thırd party any note, contract or other ınstrument executed by ıts franchısees, but Real Lıvıng reserves all rıghts to do so

Other than as descrıbed above, we do not offer dırect or ındırect financıng We do not guarantee your note, lease or oblıgatıon

## ITEM 11

## FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

**Except as lısted below, we are not requıred to provıde you wıth any assıstance**

<u>Pre-Openıng Oblıgatıons</u>

Before you begın operatıng under our Marks, we wıll

(ı) Provıde you wıth guıdelınes regardıng the use of the Marks (See Franchıse Agreement, Sectıon 7 01)

(ıı) Evaluate your request to use a domaın name contaınıng the words "Real Lıvıng" for your use durıng the term of the Franchıse Agreement (See Franchıse Agreement, Sectıon 7 02)

(ııı) Begın transıtıon consultatıon and ıntegratıon support wıthın 30 days after you sıgn the Franchıse Agreement (See Franchıse Agreement, Sectıon 8 01)

(iv) Conduct initial training within 60 days after you sign the Franchise Agreement This date is contingent upon Real Living Real Estate or its vendor receiving full approval and access to a listing feed of your MLS data (See Franchise Agreement, Section 8 01)

(v) Within 60 days after the Effective Date, Franchisor will provide to Franchisee and its Sales Professionals an orientation to the Franchisor's products, tools and services either via an on-site event, online meeting or other means of electronic communications selected by Franchisor (See Franchise Agreement, Section 8 02)

(vi) Provide you with a copy of our operations manual and identity standards manual (See Franchise Agreement, Section 9 05(c))

<u>Ongoing Obligations</u>

During the operation of the franchised business, we

(i) Will take the action we deem appropriate to defend our service marks (See Franchise Agreement, Section 7 07)

(ii) May establish a referral network that we support promoting broker-to-broker referrals of business on a national basis which you may participate in (See Franchise Agreement, Section 9 01)

(iii) May make available to you optional staff training courses, seminars, conferences or other programs (See Franchise Agreement, Section 8 03)

(iv) May periodically arrange a business conference for franchisees in certain regions in the United States (See Franchise Agreement, Section 8 04)

(v) Will provide periodic assistance as we determine, and be available for consultation and guidance on the operation and management of a Real Living real estate brokerage business (See Franchise Agreement, Section 8 05)

(vi) May inspect your records, operations, business methods, service, management and administration (See Franchise Agreement, Section 9 11)

<u>Site Selection</u>

We do not select the site for your business location or the area for your site and we do not own any sites and lease them to franchisees You must list the address of each of your offices in the Franchise Agreement, and we will consent to those locations, before you and we sign the Franchise Agreement (or any amendment for an additional office) We can approve or disapprove the business location you select When evaluating the site portion of a franchise application, we consider factors such as demographics, the nature and location of competitive businesses and potential customers, and population and residential housing density You may not open any additional locations unless we determine there is an appropriate opportunity to do so If we agree to allow you to open an additional location, you must obtain our consent to the new location first We will respond to any request to consent to a location within 30 days after we receive the request If we do not approve of your proposed site, you may not open an additional location

Opening

Typically, you will begin operating as a Real Living real estate brokerage business 60 to 90 days after signing the Franchise Agreement  The factors that affect this time are the size of the company and consequent complexity of converting to the Real Living brand, zoning and local ordinances affecting signs and state and local real estate commission requirements

Marketing and Promotion

We may host a national consumer website, produce and distribute marketing-related communications and present and promote regional events  We will determine the type of media, content, format, production timing (including regional or local concentration and seasonal exposure), location and all other matters related to advertising, public relations and marketing campaigns  We are not obligated to spend any amount on marketing or advertising in the area or territory where you are located

You may use your own marketing material if it complies with our standards for use of our service marks  We may require that you use a specific template or format in electronic marketing or advertising  You must appoint a contact person to receive and disseminate all marketing and other materials we send  The contact person must participate in conference calls and other events

As of the date this Disclosure Document was issued, we do not have an advertising fund

No franchisee advertising council has been established to advise us on advertising policies as of the date this Disclosure Document was issued

You are not currently required to participate in a local or regional advertising cooperative but we may require you to do so in the future  We have the right to form, change, dissolve or merge advertising cooperatives

Computer Systems

We require you to maintain a computer system, a data grade telephone line or other communication device and other computer hardware that we describe in detail in the operations manual to facilitate communication between your computer system and ours  We may also require you to add commercial communications systems or capacities in the future at your cost Some examples are electronic mail, Internet capacities and the ability to participate in an Intranet we develop

Your system must be in place on the Effective Date of the Franchise Agreement  If you do not already have a computer system that meets our specifications, we estimate the cost of purchasing or leasing it to be $4,000 to $12,000

You must also install, be trained on and use one of the real estate software systems we have approved  The real estate software systems we specify are broker management systems that include an information interface capability that allows the system to communicate with our computer system  At such time that Real Living installs such capability, you will be required to communicate the data required by the Franchise Agreement, such as information on your gross revenues, closed sales and other closed contracts, through your broker management system This is the information that is stored in the system and communicated to us We co-own that information You must obtain and install this system within 120 days after signing the Franchise Agreement

Until you have the approved broker management system installed and operating, you must report information to us on a weekly basis

If we change the approved broker management system you must use, we will give you at least 30 days' notice and you must use the new approved broker management system within 90 days after our notice

You must maintain a software support agreement for the approved broker management system If you fail to do so, we can purchase software support for you, and you must reimburse us for our costs

Neither we nor our affiliate or any third party have any obligation to provide ongoing business We may require you to maintain, repair, upgrade or update any computer equipment you utilize in your business to maintain compatibility with any software requirements and there are no contractual limitations on the frequency or cost of your obligation to do so Your annual cost to provide maintenance, repairs or updates to your computer system will depend on the type of system you choose We will have independent access to the information on your computer system and we will be able to download it There is no contractual limit on our right to do so

Operations Manual

We provide you with an operations manual with a total of 58 pages and an identity standards manual with a total of 28 pages Copies of the tables of contents are included as Exhibit F to this disclosure document

Professional Development - Training

We provide the affiliate integration process, sales professional orientation and staff training courses We also provide Real Living 360 Service® training Each of these programs is described below You and your personnel who are required to attend must complete the program to our satisfaction Training will take place at the time and place we specify and we may provide training virtually through instructor led training and web-based training programs You must pay all travel, hotel and living expenses for you and your personnel when attending any training program Our instructors typically have at least 8 years' experience with us and 15 years' experience in their field

We typically use manuals, handouts, and other printed training aids as the instructional materials for our training programs

1 Affiliate Integration Process

We begin the affiliate integration process within 15 days after you sign the Franchise Agreement by commencing transition consultation and integration support Within 60 days after you sign the Franchise Agreement we will conduct initial training and your personnel must complete it to our satisfaction within that period of time All of your location managers responsible for the day-to-day operation of each of your Real Living Real Estate brokerage offices must complete this training to our satisfaction, and we may require your general manager and your other principals to attend as well and complete the course to our satisfaction We may limit the number of attendees to one responsible person for each of your original locations We do not charge for this training, although if we deliver training at our facility, then you are responsible for all your personnel's costs of travel and living expenses Upon completion, you will have a better understanding of Real Living, the culture, the brand, the technology platform and the franchise owner's role with Real Living

Ann Marie Bernitt is in charge of Professional Development as of the date of this disclosure document was issued Ms Bernitt has 11 years' real estate experience, including managing an independent brokerage real estate office Ms Bernitt became a Business Consultant with GMAC Real Estate in 2008 and has held the roles of Business Consultant, Regional Services Consultant and Sr Learning Specialist and Manager, Professional Development under HSF Affiliates, LLC

The affiliate integration process is provided to your location managers and to other management personnel you designate It is provided within 60 days after the effective date of the Franchise Agreement or an agreed upon date We may also require other members of your management to participate and we can also limit the number of attendees to one of your personnel

Following is information on franchisee website and lead routing training

| Subject | Hours of classroom training | Hours of on the job training | Location |
|---|---|---|---|
| Broker Website Administration | 30 minutes | 0 | On-line meeting or other means of electronic communication selected by Franchisor |
| Lead Routing Set Up | 30 minutes | 0 | On-line meeting or other means of electronic communication selected by Franchisor |
| Total | 1 hour | 0 | |

Within 60 days after the Effective Date or an agreed upon date, Franchisor will provide to Franchisee and its Sales Professionals an orientation to the Franchisor's products, tools and services either via onsite event, an online meeting or other means of electronic communications selected by Franchisor

Following is information on franchisee and sales professional orientation training

## TRAINING PROGRAM

| Column 1<br>Subject | Column 2<br>Hours of Classroom Training | Column 3<br>Hours of On-The-Job Training | Column 4<br>Location |
|---|---|---|---|
| Business Center | 60 minutes | 0 | Local venue selected by you or via on line meeting or other means of electronic communication selected by Franchisor |
| Market Advantage | 60 minutes | 0 | Local venue selected by you or via on-line meeting or other means of electronic communication selected by Franchisor |
| Real Living 360 Service® | 90 minutes | 0 | Online Training |
| Learning Center | 30 minutes | 0 | Local venue selected by you or via on-line meeting or other means of electronic communication selected by Franchisor |
| **Total** | **4 hours** | **0** | |

We also provide ongoing and refresher training Training is delivered via web-based training (WBT), virtual instructor-led training (VILT), recorded sessions, reference guides, self-study resources and other network events and programs Any costs of travel are your responsibility Training offerings are focused on reinforcing the value of the Real Living brand, our systems, services, resources and tools

2 Franchise and Sales Professional Orientation

Within 60 days after the Effective Date, Franchisor will provide to Franchisee and its Sales Professionals an orientation to the Franchisor's products, tools and services via an online meeting or other means of electronic communications selected by Franchisor

3 "Real Living 360 Service®" Training

If you elect to take advantage of and participate in our Real Living 360 Service® program, You and each of your sales associates will attend and complete to our reasonable satisfaction our "Real Living 360 Service®" Real Living 360 Service® is our proprietary service delivery program and brand strategy for Real Living In today's competitive marketplace, our Real Living 360 Service® program can provide a meaningful differentiation and help distinguish you (by improving) your service to buyers and sellers We may change the name of this program or its components at any time There is no fee for this training, however, there are ongoing costs associated with participation in the program (see Item 7) Part of Real Living 360 Service® requirements include requesting every buyer and seller you represent to complete a customer satisfaction survey and submitting the information to us

4 Staff Training Courses

We may periodically make available optional staff training courses, seminars, conferences or other programs at locations we designate

5 Additional Training Programs

We may periodically require members of your personnel we designate to attend training courses, seminars, conferences or other programs and we may charge you fees for your personnel to attend

6 Other Obligations and Limitations

You must arrange for us or our designated vendor to receive a direct electronic feed of all real estate listings on the multiple listing services you use in compliance with the Virtual Office Website standards adopted by the National Association of Realtors® or other standards that we may periodically specify

## ITEM 12

## TERRITORY

Before you sign the Franchise Agreement, you will provide us with the address of each of the locations at which you will operate a Real Living real estate brokerage office as well as offices you will use for purely administrative purposes and for the housing of relocation administration personnel only, temporary tract sales offices in a new homes subdivision or development to sell property in that subdivision or development and information kiosks

You must obtain our consent before you relocate or close any of your offices The process for doing so is to send us a written request at least 30 days before the relocation or closing date The request should describe the reasons for your request and provide details of any proposed new location We will notify you of our approval or disapproval within 21 days after we receive your request If we do not respond within that time, your request is disapproved If we disapprove your request for relocation, you may propose an alternative location If you do relocate an office, we will waive any additional location fee if you paid a franchise fee or additional location fee for the closed location

You may also ask us for permission to open additional locations near your existing locations If you are not in default of your obligations to us, we may grant you the right to do so You must submit a written request to us with the information we require in the operations manual about the proposed location Within 30 days after we receive your request, we will notify you of our approval or disapproval If we do not respond within that time, your request is disapproved If we do approve your request, you must pay any additional location fee required

We do not grant you any options, right of first refusal or similar rights to acquire additional franchises

The market for your franchised business is the real estate brokerage industry involves residential real estate consisting of four or fewer units It also involves commercial real estate consisting of all other properties if the listing price is less than $25,000,000 It does not involve the sale of insurance, brokerage of business opportunities or mortgage brokerage or origination

We do not grant you an exclusive territory We may designate the area in which you provide services as effective service areas, but more than one franchisee may operate in this area at one time

You will not receive an exclusive territory You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control

You may only make referrals from the geographic area we designate, and you may not try to develop referrals originating outside that area

If you wish to use our trademarks in electronic commerce, including the Internet, you must obtain our prior approval We may require that you use a specific template or format You must operate your website in accordance with the Franchise Agreement, the operations manual and our identity standards manual The only one of our marks that you may use in an Internet address is "Real Living" and you may only use it for your Real Living franchise business

We and our affiliates may use other channels of distribution such as the Internet, catalog sales, telemarketing or other direct marketing sales to advertise in your geographic area, using our trademarks or other marks If we or other franchisees obtain listings in your geographic area, we do not pay any compensation to you You may not use other channels of distribution to advertise outside of your area

Several of our affiliates operate franchise systems offering real estate brokerage franchises under other names and systems Their franchisees may operate in your area and may solicit and accept clients in the area in which you operate They may not maintain physically separate offices or training facilities and there is no policy on resolving conflicts These affiliates are listed below

BHH Affiliates, LLC operates the "Berkshire Hathaway HomeServices" real estate broker franchise system Its principal business address is 18500 Von Karman Avenue, Suite 400, Irvine, California 92612

BRER Affiliates LLC operates the "Prudential Real Estate" real estate brokerage franchise system Its principal business address is also 18500 Von Karman Avenue, Suite 400, Irvine, California 92612

Reece & Nichols Alliance, Inc operates the "Reece & Nichols Realtors" real estate brokerage franchise system Its principal business address is 11601 Granada Lane, Leawood, Kansas 66211

Roy H Long Realty Company, Inc operates the "Long Realty" real estate brokerage franchise system Its principal business address is 900 E River Road, Suite 100, Tucson, Arizona 85718

Iowa Realty Co , Inc operates the "Iowa Realty" real estate brokerage franchise system Its principal business address is 3501 Westown Parkway, West Des Moines, Iowa 50266

Intero Franchise Services, Inc is the franchising affiliate of Intero Real Estate Services, Inc , and franchises real estate brokerages using the "Intero Real Estate" and "Intero Resorts" service marks Intero Franchise Services, Inc has offered franchises since June 2007 Its principal business address is 10275 North DeAnza Blvd , Cupertino, California 95014

## ITEM 13

## TRADEMARKS

We grant you the right to conduct real estate brokerage under the name of "Real Living " In addition, if you elect to participate in the Real Living 360 Service® program, we grant you a license to use the phrase "Real Living 360 Service," which represents our brand strategy The registrations listed below are on the Principal Register of the United States Patent and Trademark Office ("USPTO") All required renewal and affidavit filings for these registrations have been made, and no affidavits or renewal filings are currently due for these registrations

| Mark | Registration Number | Date of Registration | Class |
|---|---|---|---|
| Real Living | 2,435,464 | March 13, 2001 | IC 35, regional marketing of real estate services of others |
| Real Living 360 Service® | 86625467 | May 11, 2015 | IC 36, G&S real estate brokerage |

If we decide to add to, modify or discontinue the use of any marks or to use one or more additional or substitute trademarks or service marks, you must comply with our directions and use the additional or substitute trademarks, service marks, logos or commercial symbols or substitute trade dress We will notify you of this by either issuing a directive in the operations manual or the identity standards manual, or by notifying you that we have been required to do so by law We will have no obligation to reimburse you for any expenditures you make to modify or discontinue the use of a mark or to adopt substitutes for a discontinued mark, including any expenditures relating to advertising or promotional materials, or to compensate you for any loss of goodwill related to the discontinued mark You will have 30 days to begin implementing the changes at your real estate brokerage business at your expense, and you must use your best efforts to complete that process as soon as possible

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board or any court or state trademark administrator or any pending infringement, opposition or cancellation proceedings or federal or state litigation involving the marks We do not know of either superior prior rights or infringing uses that could materially affect your use of the marks in any state

You must follow our rules when you use these marks You cannot use a name or trademark as part of your corporate name You may not modify the words, designs or symbols, except with our written permission You may use the marks only in connection with the sale of real estate You may not use the marks in such a manner as to indicate or imply an endorsement by us of any property being sold by you

We have the exclusive rights to any domain name that incorporates "Real Living" or any of the Marks You and your sales associates may not use and/or register any domain name that contains "Real Living" or the Marks (or anything confusingly similar) except through a license granted by us Any domain name that incorporates "Real Living" or the Marks will identify Real Living Real Estate, LLC as the sole owner and registrant for such domain name

No agreements limit our right to use or license the use of the Marks in a manner material to you or the franchise

You must notify us promptly if you become aware of infringements on the Marks or the use of trademarks confusingly similar to them We will take the action we deem appropriate to defend the marks and control exclusively any proceeding arising from any infringement, challenge, or claim or otherwise concerning any of the marks You must sign any documents and take any other reasonable actions that, in our opinion, are necessary or advisable to protect and maintain our interests in the marks You must also promptly notify us if you become aware of any claim against you for infringement, unfair competition or similar matter for your use of our service marks The Franchise Agreement requires us to protect you against judgments resulting from claims of infringement if you are using the marks as required by the Franchise Agreement We will choose counsel and control any administrative proceedings or litigation, and you must cooperate with us You do not have the right to settle a claim without our consent

## ITEM 14

## PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or patent applications are material to the franchise

Although we do not, as a matter of course, file applications for copyright registrations for the advertising, promotional and marketing materials we create, these materials bear a copyright notice which claims a copyright in these materials We permit you to use these materials in your business, but you may not license their use to others Neither you nor your employees or sales associates may reproduce these materials or adapt them for use on any Internet or other computer network without our approval As long as you are a franchisee and except as provided above, you may continue using the copyright materials irrespective of whether they are added to, discontinued or modified by us

There currently are no effective adverse determinations of, or pending material proceedings before, the USPTO, the United States Copyright Office, or any court involving the copyrighted materials No agreement limits our right to use or allow others to use the copyrighted materials We do not actually know of any copyright infringement that could materially affect you

We ask, but do not require, that you tell us immediately if you learn about an infringement or challenge to our or your use of copyrighted materials We will take the action that we deem appropriate We are not required to indemnify or defend you against claims by third-parties for your use of materials bearing the copyright notice

You also receive the right to use certain of our trade secrets and confidential and other proprietary information, including information contained in our training materials and curricula, operations manual, identity standards manual and other materials

## ITEM 15

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

You do not have to personally supervise the franchised business However, you must designate a general manager to be the point of contact between us and the franchised business This manager need not have an ownership interest, if you are an entity, and we place no restrictions on your ability to choose a general manager We may require your general manager and your owners (if you are an entity) to complete the affiliate integration process (training) to our satisfaction We place no additional restrictions on your general manager

Because every state requires that brokerage activities be directly supervised by a broker of record who meets its real estate licensing requirements, you must designate a broker of record You must identify your broker of record in the Franchise Agreement and you must notify us in writing of any change We place no limitations on the person whom you designate as your broker of record

You must also designate a contact person to receive and disseminate all marketing and other materials you receive from us This person must participate in conference calls and other events as provided in the operations manual You must notify us of the contact person's name, business address, business e-mail address and business telephone number, and update that information when necessary

If you do not own the franchised business as an individual, you, your spouse and any entities or other persons who own more than a 10% equity interest in your franchised business must sign a personal guaranty

## ITEM 16

## RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You offer services that are consistent with acting as a real estate broker including listing, offering, selling, exchanging, managing, auctioning, leasing or renting real estate You may represent sellers, purchasers, lessors and renters of real estate and provide marketing and consulting services with respect to these activities You must offer the services we designate We may change the services we designate, and there are no restrictions on our right to do so

You may not offer these services with respect to a transaction that involves commercial property with a sales price over $25,000,000 Commercial property means all real property except real property with four or fewer dwelling units

Neither you nor an owner of 10% or more of your equity may engage in any business related to the development or sale of insurance or related products You may not refer insurance business to anyone This also applies to your directors, officers, employees, members, managers, shareholders and principals

You may not broker certain business opportunities and you may not engage in mortgage brokerage or mortgage origination

You must not promote or develop your Real Living real estate brokerage outside of the geographic areas serviced by your business offices You may only make referrals from these geographic areas and you may not try to develop referrals outside of these areas

We may modify the Real Living system, including the services you may or must offer and those you may not offer, by revising our operations manual or our identity standards manual However, we may not change your fundamental status and rights under the Franchise Agreement

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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**

| Provision | | Section in franchise or other agreement | Summary |
|---|---|---|---|
| a | Length of the franchise term | Section 6 01 of the Franchise Agreement | 10 to 15 years, depending on the length you and we decide upon |
| b | Renewal or extension of the term | Section 6 02 of the Franchise Agreement | No renewal or extension rights |
| c | Requirements for franchisee to renew or extend | Not applicable | |
| d | Termination by franchisee | Not applicable | |
| | Termination by franchisor without cause | Not applicable | |
| f | Termination by franchisor with | Section 11 01 of the | We can terminate only if you |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| cause | Franchise Agreement | default |
| g "Cause" defined –curable defaults | Section 11 03 of the Franchise Agreement | You have 24 hours to cure a default that impairs our service marks or goodwill or that incorrectly indicates that they are associated with certain products or services You have 14 days to cure nonpayment You have 30 days to cure all other defaults, except that if you are not able to cure within 30 days, we may give you additional time up to 30 days |
| h "Cause" defined – non-curable defaults | Section 11 02 of the Franchise Agreement | Noncurable defaults, abandonment, insolvency, bankruptcy, assignment for benefit of creditors, receiver is appointed, dissolution proceedings begin and are not dismissed in 30 days, judgment over the lesser of $50,000 or 10% of your gross revenues during preceding year is unsatisfied or unbonded in 30 days, knowing misreporting of gross revenues twice in 12 months or owner of at least 10% of franchisee causes misreporting of gross revenues, unauthorized transfer, your real estate license is suspended or revoked and not reinstated in 7 days, 3 of the same or similar breaches within 12 months, failure to permit our Examination, failure to pay at least $15,000 in continuing royalties in 3 previous consecutive years, your unauthorized use of our service marks that cannot be cured, you violate trust rules, your knowing failure to report information in your application, material violation of law, rule or regulation |
| i Franchisee's obligations on termination/expiration | Sections 5 02(g), 7 04, 11 07 and 13 of the Franchise Agreement | You must discontinue use of our service marks or any similar name, you must return certain materials to us, you must permit us to conduct an examination, you must remove all signs and |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| | | discontinue use of printed matter with our service marks, you must discontinue use of printed matter with our service marks, you must discontinue advertising representing you are affiliated with us, you must refrain from identifying yourself as our franchisee or former franchisee You must return the operations manual and the identity standards manual to us If you continue a business you must completely deidentify, if you defaulted you must change all telephone numbers and listings or transfer them to us, you must assign all Internet websites, email addresses and domain names to us If your Franchise Agreement is terminated before its expiration date, we will refund you the pro rata share of the referral fee you paid for the balance of the year You must pay us the royalty fee for gross revenues receivable after termination or expiration of the Franchise Agreement for binding written agreements in effect before expiration or termination |
| j Assignment of contract by franchisor | Section 10 01 of the Franchise Agreement | We may transfer without your consent if the transferee has finances to perform obligations and agrees to perform those obligations |
| k "Transfer" by franchisee-defined | Sections 1 X and 10 02(a) of the Franchise Agreement | Sale, assignment, transfer, conveyance, pledge, mortgage, encumbrance, abandonment, elimination, gift by law or otherwise of Franchise Agreement, franchisee's business or economic interest in franchisee |
| l Franchisor approval of transfer by franchisee | Section 10 02(a) of the Franchise Agreement | You must obtain our consent and meet certain conditions |
| m Conditions for franchisor approval of transfer by franchisee | Section 10 02 of the Franchise Agreement | Conditions include transferee must meet our criteria, along with its owners, assume the |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| | | franchisee's obligations under the Franchise Agreement and its owners' obligations under any guarantee, travel to our office or a place we designate for a personal interview, franchisee must have complied fully with its obligations to us, transferee completes training to our satisfaction within 30 days, parties enter into our then-current Franchise Agreement and related agreements, leases for offices are also transferred to same transferee, and franchisee must pay us the transfer fee You may transfer to a family member if provision is made for management of your Real Living real estate brokerage business and you guarantee the transferee's obligations If you are a natural person, you may transfer to an entity if you make provision for the management of your Real Living real estate brokerage business, you guarantee the entity's obligations, the entity's economic resources are sufficient and there is no negative effect on our reputation or business operations or on our system or affiliates |
| n Franchisor's right of first refusal to acquire franchisee's business | Section 10 03 of the Franchise Agreement | We can match any offer if the transfer exceeds 25% of the franchisee's ownership or results in a change of control |
| o Franchisor's option to purchase franchisee's business | Not Applicable | Not Applicable |
| p Death or disability of franchisee | Section 10 02(e) of the Franchise Agreement | If you or your owner dies, your heir or representative may succeed to your interest if provision is made for the management of the Real Living real estate brokerage business and the transferee is a spouse or family member |
| q Non-competition covenants during the term of the franchise | Section 9 13 of the Franchise Agreement | You may not act as a real estate broker or be involved in any other real estate brokerage business |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| | | You must notify us and you agree not to use our service marks if you want to become involved in any real estate related business such as a mortgage, escrow, construction, development, appraisal, referral or consulting business |
| r Non-competition covenants after the franchise is terminated or expires | Section 11 07 of the Franchise Agreement | None, and any non-competition covenant you impose on any of your personnel will not be binding on us |
| s Modification of the agreement | Section 15 02 of the Franchise Agreement | Modifications must be in writing and signed by the parties except that we may reduce the scope of your obligations and we may change the operations manual and the identity standards manual |
| t Integration/merger clause | Section 15 02 of the Franchise Agreement | Only the terms of the Franchise Agreement are binding (subject to applicable law) Any representations or promises outside the Disclosure Document and Franchise Agreement may not be enforceable |
| u Dispute resolution by arbitration or mediation | Section 12 of the Franchise Agreement | Except for certain claims, all disputes may be mediated and, if not resolved, must be arbitrated |
| v Choice of forum | Section 12 of the Franchise Agreement | Orange County, California (subject to applicable law ) |
| w Choice of law | Section 14 of the Franchise Agreement | Delaware law applies (subject to applicable law) |

## ITEM 18

## PUBLIC FIGURES

We do not use any public figure to promote our franchise as of the date this Disclosure Document was issued

## ITEM 19

## FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets We also do not authorize our employees or representatives to make any such representations either orally or in writing If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Patricia M Mansur-Brown in our Legal Department at 18500 Von Karman Avenue, Suite 400, Irvine, California 92612, (949) 794-7000, the Federal Trade Commission, and the appropriate state regulatory agencies

## ITEM 20

## OUTLETS AND FRANCHISEE INFORMATION

The tables below reflect information about our franchised and company-owned outlets operating under either the "GMAC Real Estate" name or the "Real Living" name We refer to individual offices as outlets A franchisee may have multiple offices Therefore, the numbers contained in this Item do not reflect the number of franchisees, but rather the number of offices

Table No 1

**Systemwide Outlet Summary**
**For years 2014 to 2016**

| Column 1<br>Outlet Type | Column 2<br>Year | Column 3<br>Outlets at the Start of the Year | Column 4<br>Outlets at the End of the Year | Column 5<br>Net Change |
|---|---|---|---|---|
| Franchised | 2014 | 359 | 267 | -92 |
| | 2015 | 267 | 232 | -35 |
| | 2016 | 232 | 224 | -8 |

| Column 1<br>Outlet Type | Column 2<br>Year | Column 3<br>Outlets at the Start of the Year | Column 4<br>Outlets at the End of the Year | Column 5<br>Net Change |
|---|---|---|---|---|
| Company- Owned | 2014 | 0 | 0 | 0 |
| | 2015 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 |
| Total Outlets | 2014 | 359 | 267 | -92 |
| | 2015 | 267 | 232 | -35 |
| | 2016 | 232 | 224 | -8 |

Table No 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**
**For years 2014 to 2016**

| Column 1<br>State | Column 2<br>Year | Column 3<br>Number of Transfers |
|---|---|---|
| California | 2014 | 1 |
| | 2015 | 0 |
| | 2016 | 0 |
| New Mexico | 2014 | 1 |
| | 2015 | 0 |
| | 2016 | 0 |
| Ohio | 2014 | 2 |
| | 2015 | 0 |
| | 2016 | 0 |
| Virginia | 2014 | 0 |
| | 2015 | 0 |
| | 2016 | 1 |
| **Total** | **2014** | **4** |
| | **2015** | **0** |
| | **2016** | **1** |

Table No 3

**Status of Franchised Outlets**
**For years 2014 to 2016**

| Col 1<br>State | Col 2<br>Year | Col 3<br>Outlets at Start of Year | Col 4<br>Outlets Opened | Col 5<br>Terminations | Col 6<br>Non-Renewals | Col 7<br>Reacquired by Franchisor | Col 8<br>Ceased Operations-Other Reasons* | Col 9<br>Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Alabama | 2014 | 2 | 0 | 1 | 0 | 0 | 0 | 1 |
| | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Arizona | 2014 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2015 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2016 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| California | 2014 | 73 | 0 | 52 | 0 | 0 | 1 | 20 |
| | 2015 | 20 | 0 | 0 | 0 | 0 | 1 | 19 |
| | 2016 | 19 | 0 | 0 | 0 | 0 | 1 | 18 |
| Colorado | 2014 | 4 | 1 | 2 | 0 | 0 | 0 | 3 |
| | 2015 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2016 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Connecticut | 2014 | 5 | 1 | 0 | 0 | 0 | 0 | 6 |
| | 2015 | 6 | 1 | 0 | 0 | 0 | 0 | 7 |
| | 2016 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| Florida | 2014 | 37 | 0 | 1 | 0 | 0 | 1 | 35 |
| | 2015 | 35 | 1 | 0 | 3 | 0 | 4 | 29 |
| | 2016 | 29 | 0 | 1 | 0 | 0 | 2 | 26 |
| Georgia | 2014 | 3 | 1 | 1 | 0 | 0 | 0 | 3 |
| | 2015 | 3 | 1 | 0 | 0 | 0 | 0 | 4 |
| | 2016 | 4 | 1 | 0 | 0 | 0 | 0 | 5 |
| Illinois | 2014 | 22 | 0 | 17 | 0 | 0 | 0 | 5 |
| | 2015 | 5 | 2 | 1 | 0 | 0 | 1 | 5 |
| | 2016 | 5 | 1 | 0 | 0 | 0 | 0 | 6 |
| Indiana | 2014 | 12 | 0 | 2 | 0 | 0 | 1 | 9 |
| | 2015 | 9 | 0 | 0 | 1 | 0 | 1 | 7 |
| | 2016 | 7 | 0 | 1 | 0 | 0 | 0 | 6 |
| Kansas | 2014 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2015 | 2 | 0 | 1 | 1 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Col 1<br><br>State | Col 2<br><br>Year | Col 3<br>Outlets at Start of Year | Col 4<br>Outlets Opened | Col 5<br>Termina-tions | Col 6<br>Non-Renewals | Col 7<br>Reacquired by Franchisor | Col 8<br>Ceased Opera-tions-Other Reasons* | Col 9<br>Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Kentucky | 2014 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2015 | 3 | 0 | 1 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 0 | 0 | 1 | 0 | 0 | 1 |
| Louisiana | 2014 | 3 | 0 | 1 | 0 | 0 | 0 | 2 |
| | 2015 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 1 | 0 | 0 | 0 | 1 | 2 |
| Maryland | 2014 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2015 | 2 | 2 | 0 | 0 | 0 | 0 | 4 |
| | 2016 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Massachusetts | 2014 | 24 | 2 | 0 | 0 | 0 | 2 | 24 |
| | 2015 | 24 | 2 | 15 | 0 | 0 | 0 | 11 |
| | 2016 | 11 | 1 | 0 | 0 | 0 | 0 | 12 |
| Michigan | 2014 | 19 | 0 | 0 | 0 | 0 | 0 | 19 |
| | 2015 | 19 | 0 | 0 | 2 | 0 | 1 | 16 |
| | 2016 | 16 | 3 | 1 | 0 | 0 | 0 | 18 |
| Minnesota | 2014 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2015 | 4 | 1 | 0 | 0 | 0 | 0 | 5 |
| | 2016 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| Mississippi | 2014 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2015 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Missouri | 2014 | 3 | 1 | 0 | 0 | 0 | 0 | 4 |
| | 2015 | 4 | 1 | 0 | 0 | 0 | 1 | 4 |
| | 2016 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Montana | 2014 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Nebraska | 2014 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2015 | 2 | 0 | 0 | 2 | 0 | 0 | 0 |
| | 2016 | 0 | 1 | 0 | 0 | | 0 | 1 |
| New Jersey | 2014 | 26 | 0 | 20 | 0 | 0 | 0 | 6 |
| | 2015 | 6 | 0 | 0 | 1 | 0 | 0 | 5 |
| | 2016 | 5 | 0 | 0 | 0 | 0 | 1 | 4 |

| Col 1<br><br>State | Col 2<br><br>Year | Col 3<br>Outlets at Start of Year | Col 4<br>Outlets Opened | Col 5<br>Termina-tions | Col 6<br>Non-Renewals | Col 7<br>Reacquired by Franchisor | Col 8<br>Ceased Opera-tions-Other Reasons* | Col 9<br>Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| New Mexico | 2014 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2015 | 2 | 0 | 0 | 1 | 0 | 1 | 1 |
| | 2016 | 1 | 0 | 0 | 1 | 0 | 0 | 0 |
| New York | 2014 | 5 | 3 | 0 | 0 | 0 | 0 | 8 |
| | 2015 | 8 | 0 | 0 | 1 | 0 | 1 | 6 |
| | 2016 | 6 | 0 | 2 | 0 | 0 | 0 | 4 |
| North Carolina | 2014 | 11 | 0 | 0 | 0 | 0 | 0 | 11 |
| | 2015 | 11 | 0 | 0 | 0 | 0 | 2 | 9 |
| | 2016 | 9 | 4 | 0 | 0 | 0 | 0 | 13 |
| Ohio | 2014 | 23 | 2 | 0 | 0 | 0 | 0 | 25 |
| | 2015 | 25 | 0 | 0 | 1 | 0 | 1 | 23 |
| | 2016 | 23 | 0 | 0 | 1 | 0 | 2 | 20 |
| Oklahoma | 2014 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 1 | 0 | 0 | 0 |
| Pennsylvania | 2014 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | 2015 | 7 | 0 | 0 | 0 | 0 | 2 | 5 |
| | 2016 | 5 | 1 | 0 | 1 | 0 | 0 | 5 |
| Puerto Rico | 2014 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2015 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2016 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Rhode Island | 2014 | 23 | 0 | 0 | 0 | 0 | 0 | 23 |
| | 2015 | 23 | 0 | 0 | 0 | 0 | 0 | 23 |
| | 2016 | 23 | 0 | 0 | 0 | 0 | 0 | 23 |
| South Carolina | 2014 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2015 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2016 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Tennessee | 2014 | 3 | 0 | 1 | 0 | 0 | 0 | 2 |
| | 2015 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Texas | 2014 | 11 | 2 | 2 | 0 | 0 | 0 | 11 |
| | 2015 | 11 | 0 | 0 | 0 | 0 | 1 | 10 |
| | 2016 | 10 | 0 | 0 | 3 | 0 | 0 | 7 |

| Col 1<br>State | Col 2<br>Year | Col 3<br>Outlets at Start of Year | Col 4<br>Outlets Opened | Col 5<br>Terminations | Col 6<br>Non-Renewals | Col 7<br>Reacquired by Franchisor | Col 8<br>Ceased Operations-Other Reasons* | Col 9<br>Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| Virginia | 2014 | 6 | 0 | 1 | 0 | 0 | 0 | 5 |
| | 2015 | 5 | 0 | 1 | 0 | 0 | 0 | 4 |
| | 2016 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Washington | 2014 | 5 | 1 | 0 | 0 | 0 | 0 | 6 |
| | 2015 | 6 | 1 | 0 | 1 | 0 | 0 | 6 |
| | 2016 | 6 | 0 | 0 | 0 | 0 | 0 | 6 |
| West Virginia | 2014 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2015 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Wisconsin | 2014 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2015 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2016 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Wyoming | 2014 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2015 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2016 | 3 | 0 | 0 | 1 | 0 | 0 | 2 |
| **Total** | **2014** | **359** | **14** | **101** | **0** | **0** | **5** | **267** |
| | **2015** | **267** | **15** | **19** | **14** | **0** | **17** | **232** |
| | **2016** | **232** | **13** | **5** | **9** | **0** | **7** | **224** |

* We include among outlets that "ceased operations for other reasons" offices that closed during the fiscal year but whose franchisees continue to operate other offices under Franchise Agreements (which originally covered one or more of these closed offices) Therefore, the franchisees of these offices are not included in Exhibit C (list of departed franchisees) because they remain a part of the Real Living franchise network

Table No 4

**Status of Company-Owned Outlets**
**For years 2014 to 2016**

| Col 1<br>State | Col 2<br>Year | Col 3<br>Outlets at Start of the Year | Col 4<br>Outlets Opened | Col 5<br>Outlets Reacquired From Franchisee | Col 6<br>Outlets Closed | Col 7<br>Outlets Sold to Franchisee | Col 8<br>Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| All States Totals | 2014 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2015 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2016 | 0 | 0 | 0 | 0 | 0 | 0 |

Table No 5

**Projected Openings as of December 31, 2016**

| Column 1<br><br>State | Column 2<br><br>Franchise Agreements Signed But Outlet Not Opened | Column 3<br><br>Projected New Franchised Outlet In The Next Fiscal Year | Column 4<br><br>Projected New Company-Owned Outlet In the Next Fiscal Year |
|---|---|---|---|
| Alabama | 0 | 1 | 0 |
| California | 0 | 1 | 0 |
| Florida | 0 | 1 | 0 |
| Georgia | 0 | 2 | 0 |
| Illinois | 0 | 1 | 0 |
| Michigan | 0 | 1 | 0 |
| New Jersey | 0 | 2 | 0 |
| Tennessee | 0 | 2 | 0 |
| Texas | 0 | 1 | 0 |
| Wisconsin | 0 | 1 | 0 |
| **Total** | **0** | **13** | **0** |

**Exhibit B** is a list of franchises open as of December 31, 2016

**Exhibit C** is a list containing the name, city and state, and telephone number of each franchisee (1) whose franchise was terminated, canceled, transferred or not renewed, or that otherwise voluntarily or involuntarily ceased to do business under its Franchise Agreement during our most recent fiscal year, and (2) who failed to communicate with us within 10 weeks of the issuance date of this Disclosure Document If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system

No franchisees have signed confidentiality clauses with us required to be disclosed in this Item during the last 3 fiscal years that would restrict them from speaking openly about their experiences as a franchisee in our franchise system There are no trademark-specific franchisee organizations associated with the Real Living franchise system

## ITEM 21

## FINANCIAL STATEMENTS

The following audited financial statements of our parent, HSF Affiliates LLC, are included in this disclosure document as part of Exhibit D (i) consolidated balance sheets of HSF for December 31, 2016 and 2015 and (ii) the related consolidated statements of operations, changes in members' capital and cash flows for the years ended December 31, 2016, 2015 and 2014, together with the independent auditors' report thereon Also included in Exhibit D are an unaudited consolidated balance sheet of HSF as of March 31, 2017 and an unaudited consolidated statement of operations of HSF for the three months ended March 31, 2017* Our parent, HSF Affiliates LLC, has guaranteed our performance with you A copy of the Guarantee of Performance is included as Exhibit L

* THE UNAUDITED FINANCIAL STATEMENTS AS OF MARCH 31, 2017 ARE PREPARED WITHOUT AN AUDIT PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISEES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM

## ITEM 22

## CONTRACTS

Attached are copies of the following agreements proposed for use in this state

| | |
|---|---|
| Exhibit A - | Franchise Agreement and State-Specific Addenda |
| Attachment to Exhibit A - | Nondisclosure, Noncompetition and Nontransfer Covenant and Personal Guarantee |
| Exhibit J - | Franchise Term Note |

## ITEM 23

## RECEIPTS

Attached, as the last 2 pages of this Disclosure Document (after the exhibits) are 2 copies of the Receipt to this Disclosure Document We will keep one and you will keep one after you sign both copies Make sure that you indicate the franchise seller(s) with whom you had substantive discussions about this franchise A duplicate of the receipt is attached for your records

**EXHIBIT A**
**TO THE DISCLOSURE DOCUMENT**

**FRANCHISE AGREEMENT**

# REAL LIVING REAL ESTATE BROKERAGE FRANCHISE AGREEMENT

## Table of Contents

**REAL LIVING**
**REAL ESTATE BROKERAGE FRANCHISE AGREEMENT**

This Real Estate Brokerage Franchise Agreement ("Agreement") is made and entered into as of ____________________, 201_ and effective __________________ (the "Effective Date"), by and between Real Living Real Estate, LLC, a Delaware limited liability company ("Franchisor"), and ________________________________, a(n) ____________ (Corporation, Limited Liability Company, Partnership, Individual) proposing to do business in the State of _____________ as Real Living _________________________________ ("Franchisee")

THE PARTIES AGREE

## I NATURE AND SCOPE OF AGREEMENT

Franchisor has developed and intends to engage in the ongoing development and operation of a "System" (as defined in Article II hereof) under certain "Service Marks" (as defined in Article II hereof) operated in accordance with the provisions of this Agreement and Franchisor's "Operations Manual" (as defined in Article II hereof), as amended from time to time

Franchisor is a wholly owned operating subsidiary of HSF Affiliates LLC Franchisor is the owner of the Service Marks and all rights in respect thereof Franchisor has the authority to use, and to license others to use, the Service Marks

Franchisor is engaged in the administration and development of programs for the operation of real estate brokerage businesses utilizing the Service Marks, operational techniques, service concepts and proprietary information owned or authorized to be used by and identified with Franchisor Franchisor's activities in general, and its real estate brokerage programs in particular, are undertaken to develop, maintain and enhance the Service Marks and Franchisor's reputation for total service in all fields of real estate brokerage and related services throughout the United States

Franchisee desires to be franchised and licensed by the Franchisor to participate in and use the System, Service Marks and goodwill of Franchisor to conduct the "Franchised Business" (as defined in Article II hereof) in the manner described in this Agreement Franchisor is willing to grant to the Franchisee said Franchise and license, in accordance with the provisions of this Agreement and the Operations Manual, for the term set forth below

Franchisee acknowledges that in the administration of this Agreement and in taking actions with respect to its relationship with Franchisee, Franchisor must take into account the needs of the Network (as defined in Article II), the effect upon the Network as a whole, and the need to protect the Service Marks for the benefit of the Network

## II DEFINITIONS

The following terms shall have the following meanings when they appear capitalized in this Agreement

**Abandoned** With respect to any "Location", the term "Abandoned" shall mean closure of a Location for a period of seven (7) consecutive days without Franchisor's prior written consent A repeated pattern of closures of a Location for periods of less than seven (7) consecutive days may result in the Location being deemed Abandoned if in the sole judgment of Franchisor such closure adversely impacts the Franchised Business A Location shall not be deemed Abandoned if the closure is due to "acts of God" or other matters beyond the reasonable control of Franchisee (e g , act of war, labor strike, terrorist threat, earthquake, hurricane, etc , other than Franchisee's inability to procure money), provided that Franchisee gives notice of any such closure to Franchisor within ten (10) days after the initial occurrence of the event resulting in such closure and Franchisor acknowledges in writing that such closure is due to one of the foregoing causes (subject to its reasonable discretion) and provided further that Franchisee shall re-establish the Franchised Business and be fully operational in such Location or another Location approved by Franchisor within one hundred twenty (120) days after the initial occurrence of the event resulting in such closure or such longer period as Franchisor may permit

**Acting as a Real Estate Broker** The term "Acting as a Real Estate Broker" shall mean all acts that are required under applicable state law to be performed by a licensed real estate broker or a licensed real estate salesperson, and shall also mean, without limitation, the business of listing, offering, selling, exchanging, managing, auctioning, leasing or renting of real estate, representing sellers, purchasers, lessors or renters of real estate in exchange for a fee, commission, or other compensation, or the providing of marketing or consulting services or other fee generating activities with respect to such activities

**Additional Location** The term "Additional Location" shall mean any Location opened pursuant to the terms of this Agreement subsequent to the Effective Date

**Additional Location Fee** The term "Additional Location Fee" is defined in subparagraph 5 01(b) hereof

**Additional Restricted Purpose Location** The term "Additional Restricted Purpose Location" shall mean a Restricted Purpose Location opened pursuant to the terms of this Agreement subsequent to the Effective Date

**Administrative Office** The term "Administrative Office" shall mean an office used by the Franchised Business for purely administrative purposes and the housing of relocation administration personnel only No use of the Service Marks are permitted except as set forth in the Operations Manual

**Affiliate Integration Process** The term "Affiliate Integration Process" shall mean training in the System provided by Franchisor, as described in paragraph 8 01 hereof

**Anniversary Year** The term "Anniversary Year" shall mean the 12-month period between the first anniversary of the Effective Date and second anniversary thereof and between each succeeding anniversary

**Annual Event** The term "Annual Event" shall mean a conference defined in paragraph 8 04 hereof

**Approved Broker Management System** The term “Approved Broker Management System” is defined in subparagraph 9 02(a) hereof

**Assumed Name** The term “Assumed Name” shall mean the name (or, with Franchisor’s consent, names) under which the Franchisee shall conduct the Franchised Business and shall be a combination of (a) those Service Marks set forth in the Operations Manual to be used in the Assumed Name and (b) a name (or, with Franchisor’s consent, names) selected by Franchisee and approved by Franchisor

**Commercial Property** The term “Commercial Property” shall mean all real property other than real property on which residential structures containing four dwelling units or less are located, or are intended to be located

**Consumer Price Index** The term “Consumer Price Index” shall mean the annual average of the Consumer Price Index for All Urban Consumers, Service Group Only (1982-84 = 100), published by the Bureau of Labor Statistics of the United States Department of Labor (or the highest similar future index (as determined by Franchisor) if these figures become unavailable)

**Contact Person** The term “Contact Person” shall mean the officer(s), employee(s), member(s), manager(s), principal(s) or other agent(s) of Franchisee designated by Franchisee as the person(s) responsible for those functions set forth in Paragraph 9 08 hereof

**Continuing Royalty** The term “Continuing Royalty” shall mean the continuing royalty described in subparagraph 5 02(a) hereof

**Control** The term “Control” shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise

**Depository Checking Account** The term “Depository Checking Account” shall mean any and all accounts opened and maintained by Franchisee as required pursuant to paragraph 9 04 hereof, and as further defined in the Operations Manual, at a bank or other financial institution that is a participating member of the Automated Clearinghouse (“ACH”) network or such other network or system as may be directed by Franchisor

**Designated Equity Holder** The term “Designated Equity Holder” is defined in subparagraph 10 02(b) hereof

**Equity Holder** The term “Equity Holder” is defined in subparagraph 10 02(h) hereof

**Equity Interest** The term “equity interest” is defined in subparagraph 10 02(h) hereof (and is not capitalized herein )

**First Anniversary Year** The term “First Anniversary Year” shall mean the 12-month period following the Effective Date

**Franchised Business** The term “Franchised Business” shall mean Acting as a Real Estate Broker from Locations and Restricted Purpose Locations utilizing the Service Marks, as permitted, except as provided hereinafter or in the Operations Manual The Franchised Business shall not include

(a) Acting as a Real Estate Broker with respect to a transaction involving Commercial Property having a gross listing or sales price that exceeds $25,000,000, which may only be done with Franchisor's prior written consent In its sole discretion, Franchisor reserves the right to increase the foregoing $25,000,000 limit or consent to individual transactions in excess thereof utilizing the Service Marks, and if Franchisor consents thereto, the transaction will be deemed to be within the scope of the Franchised Business (with respect to permitted commercial transactions, Franchisor sets forth in its Operations Manual criteria for Commercial Property leases, exchanges and similar transactions and may impose additional conditions on Acting as a Real Estate Broker with respect to Commercial Property),

(b) engaging in any business related to the development or sale of insurance or insurance related products,

(c) brokerage of certain business opportunities as set forth in the Operations Manual, or

(d) mortgage brokerage and mortgage origination

**General Manager** The term "General Manager" shall mean the officer, employee, member, manager, principal or other agent of Franchisee who has been designated by Franchisee as the person responsible for the day-to-day operation of the Franchised Business and who has successfully completed the "Affiliate Integration Program" (if required pursuant to paragraph 8 01 hereof)

**Gross Revenues** The term "Gross Revenues" shall mean all money or things of value received or receivable ("receivable" shall mean earned though not yet received) directly or indirectly by Franchisee constituting payment for or on account of the Franchised Business, including, without limitation, commissions, referral fees or other things of value, without deducting Franchisee's costs or expenses, multiple listing fees, commissions, salaries, overrides or bonuses payable to its salespersons or employees Notwithstanding the foregoing, Gross Revenues shall not include money or things of value received or receivable solely for Residential Property Management Activities

**Initial Franchise Fee** The term "Initial Franchise Fee" is defined in subparagraph 5 01(a) hereof

**Location** The term "Location" shall mean the business premises from which Franchisee conducts the Franchised Business under the Service Marks, regardless of size or number of sales professionals Locations shall include Additional Locations, but shall not include Restricted Purpose Locations

**Location Manager** The term "Location Manager" shall mean the officer, employee, member, manager, principal or other agent of Franchisee designated by Franchisee as the person responsible for the day-to-day operation of a Location and who has successfully completed the Affiliate Integration Program (if required pursuant to paragraph 8 01 hereof)

**Materials** The term “Materials” shall mean all forms, contracts, agreements, signs, displays, stationery and other items permitted or required by Franchisor to be used in the operation of the Franchised Business

**Network** The term “Network” shall mean the businesses of Franchisor and its franchisees, and Franchisor’s current and prospective relationships with its franchisees, its affiliates and the real estate community

**Operations Manual** The term “Operations Manual” shall mean the manual or manuals (including the Identity Standards Manual and other manuals regardless of title) containing policies and procedures to be adhered to by Franchisee in performing under this Agreement, which Operations Manual shall include all amendments and supplements thereto provided to Franchisee from time to time

**Original Locations** The term “Original Locations” shall mean the Locations that are listed in Exhibit ”B” hereto (Exhibit “B” may also list Restricted Purpose Location(s) )

**Referral Fees** The term “Referral Fees” is defined in subparagraph 5 04 hereof

**Regional Event** The term “Regional Event” shall mean a conference defined in paragraph 8 04 hereof

**Residential Property Management Activities** The term “Residential Property Management Activities” shall mean the business of managing real estate on which is located, or intended to be located, residential structures containing four dwelling units or less in exchange for a fee or other compensation Residential Property Management Activities shall not include any services related to leasing or renting real estate for a period of more than 60 days, or selling real estate of any kind

**Responsible Agent or Broker** The term “Responsible Agent or Broker” shall mean the person designated by Franchisee as its authorized representative for purposes of coordinating the relations between Franchisor and Franchisee

**Restricted Purpose Location** The term “Restricted Purpose Location” shall include Administrative Offices, Service Centers, Subdivision Sales Offices or an information kiosk

**Restricted Purpose Location Fee** The term “Restricted Purpose Location Fee” is defined in subparagraph 5 01(c) hereof

**Sales Professional Orientation** The term “Sales Professional Orientation” shall mean the introduction of Franchisee’s sales professionals to Franchisor’s System and the Network

**Service Center** The term “Service Center” shall mean an office equipped by the Franchised Business purely for the convenience of its sales professionals as set forth in the Operations Manual No use of the Service Marks is permitted except as set forth in the Operations Manual

**Service Marks** The term “Service Marks” shall mean those proprietary marks registered with the United States Patent and Trademark Office and certain states, as well as all common law trademarks and service marks, trade names, logo types, insignias, designs and other commercial symbols that Franchisor now or hereafter is authorized to use and does use or authorizes others to use to identify the Franchised Business

**Subdivision Sales Office** The term "Subdivision Sales Office" shall mean a temporary tract sales office within or immediately adjacent to a new homes subdivision or development operated for the sole purpose of selling property in said subdivision or development

**System** The term "System" shall mean a comprehensive marketing and operational system prescribed by Franchisor to be used in the conduct of the Franchised Business, as set forth in this Agreement and the Operations Manual, as amended from time to time The System shall include, among other things, the Service Marks and certain advertising, marketing and sales programs and techniques, referral network, training programs and materials, artwork, graphics, layouts, slogans, names, titles, text and other intellectual property that Franchisor makes available to Franchisee Franchisor, in its sole discretion, may improve and/or change the System from time to time (including but not limited to adding to, deleting or modifying elements of the System, establishing categories or classifications of franchisees and amending the Operations Manual) for the intended purpose of making the System more effective, efficient, economical or competitive, adapting to or taking advantage of competitive conditions, opportunities, technology, materials, or local marketing needs and conditions, enhancing the reputation or public acceptance of the System and/or the Network, and/or better serving the public

**Threshold** The term "Threshold" is defined in subparagraph 5 02(b) hereof

**Transfer** The term "Transfer" shall mean to sell, assign, transfer, convey, pledge, mortgage, encumber, abandon, eliminate or give away, voluntarily or involuntarily, by operation of law or otherwise

## III THE FRANCHISED BUSINESS

### 3 01 Grant of Franchise

Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, a non-exclusive license and franchise to participate in and use the System by conducting the Franchised Business at the Locations and Restricted Purpose Locations described in Exhibit "B", or in any amendments hereto, and such Additional Locations and Additional Restricted Purpose Locations as may be approved in strict accordance with this Agreement and the Operations Manual, from the time after commencement of the Franchised Business until the end of the term hereof ("Franchise") The Franchise applies only to Franchisee's Locations and Restricted Purpose Locations duly approved by Franchisor in accordance with this Agreement and no other places of business, offices, or types of business Franchisee acknowledges that Franchisor has granted and may in the future operate and/or grant other licenses and franchises for real estate brokerage businesses and acknowledges that there is no assurance of any kind that any Additional Locations or Additional Restricted Purpose Locations will be available or approved Franchisee shall retain the right to conduct businesses and perform services other than the Franchised Business without payment of Continuing Royalty measured by revenues derived therefrom, but subject to the restrictions on Acting as a Real Estate Broker in any other real estate brokerage business under paragraph 9 13 hereof, and subject to all other applicable provisions of this Agreement and the Operations Manual, PROVIDED, HOWEVER, FRANCHISEE SHALL NOT USE THE SERVICE MARKS (AS DEFINED HEREIN), OPERATIONAL TECHNIQUES, SERVICE CONCEPTS OR PROPRIETARY INFORMATION IN CONNECTION WITH SUCH BUSINESSES OR SERVICES WITHOUT THE EXPRESS PRIOR WRITTEN PERMISSION OF THE PRESIDENT OR OTHER EXECUTIVE OFFICER OF FRANCHISOR, WHICH PERMISSION, IF GRANTED, SHALL BRING SUCH BUSINESSES OR SERVICES WITHIN THE SCOPE OF THE FRANCHISED BUSINESS

**3 02 <u>No Exclusive Territory</u>**

NOTHING CONTAINED HEREIN SHALL BE DEEMED, EXPRESSLY OR BY IMPLICATION, TO GRANT FRANCHISEE ANY TYPE OF EXCLUSIVE OR PROTECTED TERRITORY FRANCHISOR MAY OWN, OPERATE, FRANCHISE OR LICENSE OR IN ANY OTHER MANNER AUTHORIZE THE LOCATION AND OPERATION OF OTHER REAL ESTATE BROKERAGE BUSINESSES AT ANY LOCATION WHATSOEVER, AND NOTHING CONTAINED HEREIN SHALL BE DEEMED, EXPRESSLY OR BY IMPLICATION, TO LIMIT, CONTROL, OR PREVENT SUCH RIGHT Franchisee acknowledges that in the exercise of the rights expressly reserved to Franchisor under this Franchise Agreement, it is likely that Franchisor will open, or authorize others to open, additional real estate brokerage office locations with respect to which Franchisee has no right or interest, that such market development is an integral part of the marketing concept underlying Franchisor's business and the development of the Network

**3 03 <u>Reserved Rights</u>**

This Agreement authorizes the operation of specific real estate brokerage office locations utilizing the System within the framework of rights and obligations established by the terms of this Agreement including, in particular, the provisions of this Agreement defining and limiting the rights granted to Franchisee and the rights retained by and/or reserved to Franchisor Nothing contained herein shall accord Franchisee any right, title or interest in or to the Service Marks, the System, operational techniques, service concepts, proprietary information or goodwill of Franchisor, except to the extent that the right to use such proprietary rights has been specifically granted hereunder

Franchisee acknowledges and agrees that Franchisor, HSF Affiliates LLC and any present or future affiliates of either, are now, or may in the future be, engaged in a wide variety of business activities, some of which may now or in the future be located near a Location, Restricted Purpose Location, Additional Location or Additional Restricted Purpose Location or within the same marketing areas serviced by the Franchised Business Without limitation such activities may include the acquisition, sale, financing and/or operation of improved or unimproved real property, and offering consumers and/or businesses, products and services in connection with such transactions Franchisor reserves the right to engage in any activities for the purpose of attracting customers and business directly to Franchisor, HSF Affiliates LLC and any present or future affiliates of either, and Franchisee further acknowledges that such activities may be competitive with Franchisee's real estate brokerage offices, by reason of location, marketing areas, potential customers or other factors

NOTHING CONTAINED HEREIN SHALL BE DEEMED, EXPRESSLY OR BY IMPLICATION, TO RESTRICT IN ANY WAY THE RIGHT OF FRANCHISOR, HSF AFFILIATES LLC OR ANY OF THEIR AFFILIATED ENTITIES, NOW OR IN THE FUTURE, TO ENGAGE IN ANY BUSINESS ACTIVITIES WHATSOEVER, WITHOUT LIMITATION AS TO LOCATION, TO EXERCISE ALL RIGHTS AND REMEDIES TO PROTECT OR ENFORCE THEIR RESPECTIVE INTERESTS IN THE SERVICE MARKS, AND TO USE SUCH MARKS AND OTHER PROPRIETARY RIGHTS IN ITS OTHER BUSINESS ACTIVITIES WITHOUT LIMITATION Franchisee acknowledges that there are numerous economic, demographic, competitive and other market factors that may change the character and extent of customer demand for the services of real estate brokerage offices authorized hereunder The economic effects of all the foregoing are understood by Franchisee to be elements of the business risk accepted by Franchisee in the operation of real estate brokerage offices under this Franchise Agreement Franchisor shall not be liable to Franchisee for any damages or loss of sales or profits (if any) based on actual or anticipated adverse consequences to Franchisee that may result from Franchisor's continuing activities in the development of the System or other exercise of Franchisor's reserved rights

Franchisee acknowledges that commercial and residential activities represent separate markets, business opportunities and activities Franchisor reserves the right to establish and operate a separate franchise network for commercial real estate brokerage If Franchisor elects to operate a separate franchise network for commercial real estate brokerage, Franchisor will evaluate commercial and residential activities separately in the operation of the System, placement of offices, and granting of franchises This may result in Franchisor granting separate residential and commercial franchises within a specific geographic market area

For the sake of clarity, all rights not specifically granted to Franchisee herein are reserved by Franchisor, and Franchisee covenants, accepts and agrees that (a) Franchisor may exercise all such reserved rights without notice to Franchisee, and (b) Franchisee shall not take any action, including, without limitation, asserting any cause of action in a court of law or equity, which may interfere with the exercise of any rights of Franchisor

**3 04 <u>Insurance Business</u>**

Franchisee shall not during the term hereof, operate, manage, own, assist or hold an interest, direct or indirect (as an employee, officer, director, shareholder, member, manager, partner, joint venture or otherwise), in any business related to the development or sale of insurance or insurance related products, without the express prior written consent of Franchisor, which consent may be granted or denied in Franchisor's sole discretion Further, neither Franchisee nor any of its directors, officers, employees, members, managers, shareholders or principals shall refer insurance business to any entity without the express prior written consent of Franchisor Such consents shall be conditioned on the continuing compliance by the Franchisee, its directors, officers, employees, members, managers, shareholders and principals, and the party to whom insurance referrals are made, with the Franchisor's insurance sales practice guidelines as they exist now or hereafter may be amended This paragraph 3 04 shall apply, without limitation, to each equity holder directly or indirectly owning ten percent or more of the equity interest in Franchisee

**3 05 <u>Area and Scope of Operation</u>**

Franchisee shall only operate its Franchised Business from its Locations and Restricted Purpose Locations, in each case subject to approval by Franchisor in its sole discretion Franchisee shall (a) use its best efforts to diligently and effectively promote, market and engage in the Franchised Business, (b) develop, using best efforts, the potential for the Franchised Business from each of Franchisee's Locations and Restricted Purpose Locations, as permitted, and (c) devote and focus all of its attentions and efforts to such promotion and development, provided that Franchisee shall not seek to promote and develop the Franchised Business outside the geographic areas serviced by its Locations and Restricted Purpose Locations, as permitted, as determined by Franchisor from time to time in its sole judgment Franchisor reserves the right to designate one or more effective service areas ("ESAs") to define the geographic area served by Franchisee using such criteria as determined by Franchisor from time to time ESAs may be assigned to more than one franchisee of Franchisor at the same time and do not give Franchisee any exclusivity rights or protected territory rights

Franchisee shall only make referrals from the geographic areas serviced by Franchisee's Locations and Restricted Use Locations as determined by Franchisor from time to time in its sole judgment and shall not seek to develop referrals originating outside such areas for properties located outside such areas Franchisor may, at its sole discretion, grant waivers with respect to this provision Any waiver of rights hereunder shall be evidenced only by a writing signed by an authorized officer of Franchisor

## IV LOCATION OF BUSINESS

**4 01 <u>The Original Locations</u>**

Subject to paragraphs 4 02 and 4 03 hereof, the Franchised Business shall only be operated from the Original Locations and Restricted Purpose Locations listed in Exhibit "B", and any amendments hereto (including the address and telephone number for each Original Location and Restricted Purpose Location) and any Additional Locations and Additional Restricted Purpose Locations

**4 02 <u>Permission to Close or Relocate</u>**

If Franchisee desires to close or relocate one or more but not all of its Locations, or if Franchisee desires to relocate a Restricted Purpose Location, it must first request and obtain Franchisor's written consent The following procedures set forth the means for Franchisee to apply for Franchisor's consent

(a) Not less than thirty (30) days prior to the desired date of closing or relocation (unless prior notice is impractical because of a required closing or relocation in which event notice shall be made as soon as possible), Franchisee must make a written request for consent to close or relocate, describing the reasons for the closing or relocation and providing details respecting any proposed new location as shall be specified in the Operations Manual

(b) Within twenty-one (21) days after receiving Franchisee's request, Franchisor shall either approve or disapprove in writing such closure or relocation in its sole discretion If Franchisor does not approve the request within twenty-one (21) days, the request shall be deemed not approved In the event of disapproval of a relocation, Franchisee may request an alternative proposed new location pursuant to the provisions of this paragraph 4 02

If Franchisor consents to the closing of a Location and, in connection therewith, Franchisee is thereafter permitted to open an Additional Location, then Franchisor shall waive the Additional Location Fee otherwise required under paragraph 5 01 hereof, provided that the Franchise Fee or Additional Location Fee for the closed Location had not been waived and had been paid in full by Franchisee

**4 03 <u>Additional Locations</u>**

If Franchisor, in its sole discretion, determines that there is an appropriate opportunity for Franchisee to open an Additional Location at a place or places adjacent to or reasonably proximate to the Locations or Restricted Purpose Locations then being operated by Franchisee, Franchisor may, but is not obligated to, grant to Franchisee the right to open one or more Additional Locations, provided Franchisee shall not then, or at any time thereafter prior to the opening of such Additional Locations, be in default of any of its obligations arising pursuant to this Agreement

If Franchisee desires to open an Additional Location or Additional Restricted Purpose Location, it shall first submit to Franchisor a written request for approval of each proposed Additional Location or Additional Restricted Purpose Location, containing such information as shall be specified in the Operations Manual Within thirty (30) days after receiving such request, Franchisor shall approve or disapprove such Additional Location or Additional Restricted Purpose Location If Franchisor does not approve the request within thirty (30) days, the Additional Location or Additional Restricted Purpose Location shall be deemed not approved If Franchisor approves, upon Franchisee's payment of the required fee (if any) specified in subparagraph 5 01(b) below, said Additional Location or Additional Restricted Purpose Location shall be effective as of the date approved by Franchisor for Franchisee to commence the Franchised Business at such Additional Location or Additional Restricted Purpose Location

If Franchisee wishes to ascertain current information as to whether there may be an appropriate opportunity for a particular Additional Location or Additional Restricted Purpose Location, Franchisee shall submit an inquiry to Franchisor in writing The response to such inquiry shall set forth Franchisor's views as of the date of the response, but is subject to change and shall not be construed as granting approval of an Additional Location or Additional Restricted Purpose Location or as authorizing any action by the inquiring Franchisee

Franchisee acknowledges that Franchisor and Franchisee have not had any discussion regarding possible Additional Locations or Additional Restricted Purpose Locations or opportunities to open Additional Locations or Additional Restricted Purpose Locations except as set forth in writing in the Statement of Prospective Franchisee signed by Franchisee in connection with this Agreement

## V PAYMENTS BY FRANCHISEE

### 5 01 Franchise Fees

(a) Concurrently upon Franchisee's execution of this Agreement, Franchisee shall pay to Franchisor an "Initial Franchise Fee" comprised of (i) Twenty Thousand Dollars ($20,000) for its first Location, (ii) Two Thousand Five Hundred Dollars ($2,500) for each of Franchisee's other Locations and (iii) One Thousand Dollars ($1,000) for each of Franchisee's Restricted Purpose Locations

(b) For each Additional Location, Franchisee shall pay to Franchisor an "Additional Location Fee" equal to Two Thousand Five Hundred Dollars ($2,500)

(c) For each Additional Restricted Purpose Location, Franchisee shall pay an initial "Additional Restricted Purpose Location Fee" equal to One Thousand Dollars ($1,000)

(d) For purposes of payment of the Initial Franchise Fee described in the preceding subparagraph 5 01(a), a Restricted Purpose Location shall not be deemed an Original Location However, for purposes of reporting to Franchisor Continuing Royalty payable on transactions as permitted to be conducted from such Restricted Purpose Locations, Gross Revenues attributable to such transactions shall be reported to Franchisor utilizing an Approved Broker Management System as Franchisor may direct

(e) The Initial Franchise Fee is a non-refundable and fully-earned in consideration of Franchisor's lost or deferred opportunity to enter into a similar agreement with another party(ies), and for Franchisor's administrative and other expenses incurred in granting the Franchise

### 5 02 Continuing Royalty

(a) In addition to the Franchise Fee, commencing on the Effective Date of this Agreement and, during each of Franchisee's Anniversary Years, Franchisee shall pay to Franchisor a continuing royalty (the "Continuing Royalty") consisting of

(i) a Gross Revenue Based Continuing Royalty, or
(ii) an Agent Based Continuing Royalty

as Franchisee may determine, at Franchisee's sole option by designating the initial specific Continuing Royalty in the appropriate place in Schedule 1, attached hereto

(b) In the event that Franchisee designates a Gross Revenue Based Continuing Royalty as the Continuing Royalty pursuant to subparagraph 5 02(a), the Continuing Royalty shall be equal to percentages of certain Gross Revenues derived from the Franchised Business as set forth in the following schedules

| Greater Than | To | Continuing Royalty |
|---|---|---|
| $ 0 | $ 2,500,000 | 5 00% |
| $ 2,500,000 | $ 5,000,000 | 4 50% |
| $ 5,000,000 | $ 10,000,000 | 4 00% |
| $ 10,000,000 | $ 15,000,000 | 3 00% |
| $ 15,000,000 | $ 20,000,000 | 2 00% |
| $ 20,000,000 | $ 40,000,000 | 1 50% |
| $ 40,000,000 | and greater | 1 00% |

(c) In the event that Franchisee designates an Agent Based Continuing Royalty as the Continuing Royalty pursuant to subparagraph 5 02(a), the Continuing Royalty shall be comprised of (i) and (ii) immediately below

(i) an amount equal to the applicable amount (the "Multiplier") listed in the chart below times the number of Sales Professionals employed, licensed or otherwise associated with Franchisee at any time during the preceding calendar month

| Number of Sales Professionals | Multiplier |
|---|---|
| 1 – 30 | $120 |
| 31 – 50 | $100 |
| 51 – 70 | $80 |
| 71 and higher | $60 |

(ii) Percentages of certain Gross Revenues ("GR Percentage") derived from the Franchised Business as set forth in the following schedules

| Greater Than | To | Continuing Royalty |
|---|---|---|
| $ 0 | $ 1,500,000 | 1 50% |
| $ 1,500,000 | $ 5,000,000 | 1 25% |
| $ 5,000,000 | and greater | 1 00% |

(d) (i) The Gross Revenue Based Continuing Royalty payable during each Anniversary Year shall be adjusted when certain thresholds ("Gross Revenue Thresholds") are met The Continuing Royalty percentages will apply only to the Gross Revenues between the two Gross Revenue Thresholds set forth next to each percentage in the above Schedule By way of example only, if Franchisee's Gross Revenues during an Anniversary Year were $2,700,000 according to the Schedule, Franchisee would pay 5 0% on the first $2,500,000 of Gross Revenues (or $125,000), and 4 5% on the remaining $200,000 of Gross Revenues (or $9,000), for a total Continuing Royalty of $134,000 for such Anniversary Year

(ii) The GR Percentage component of the Agent Based Continuing Royalty payable during each Anniversary Year shall be adjusted when certain thresholds ("Agent Based Thresholds") are met The Continuing Royalty percentages will apply only to the Gross Revenues between the two Agent Based Thresholds set forth next to each percentage in the above Schedule By way of example only, if Franchisee's Gross Revenues during an Anniversary Year were $2,000,000 according to the Schedule, Franchisee would pay 1 50% on the first $1,500,000 of Gross Revenues (or $22,500), and 1 25% on the remaining $500,000 of Gross Revenues (or $6,250), for a total GR Percentage component of $28,750 for such Anniversary Year

(e) For purposes hereof, Gross Revenues shall be deemed to commence at $0 on the Effective Date and on the first day of each Anniversary Year thereafter

(f) Franchisee shall have the right, on the first day of any Anniversary Year only, to change the designation of the Continuing Royalty by giving Franchisor sixty (60) days prior written notice of an election to change such designation

(g) In its sole discretion, Franchisor shall have the right to reduce a Gross Revenue Threshold or an Agent Based Threshold and upon not less than 30 days' prior written notice, to restore the Gross Revenue Threshold or Agent Based Threshold, as the case may be, to an amount which shall not exceed the maximum Gross Revenue Threshold or Agent Based Threshold specified in the schedules above, as adjusted annually by the Consumer Price Index

(h) As further provided pursuant to paragraph 9 02 hereof, beginning on the Effective Date and continuing until the date of expiration or termination of this Agreement, Franchisee shall report to Franchisor's designated computer system (on a periodic basis as set forth in the Operations Manual) the Gross Revenues earned by Franchisee (i) upon consummation of the sale (notwithstanding that funds have not been exchanged) or close of escrow on all transactions entered into by Franchisee on or after the Effective Date ("entered into" shall be deemed to mean the taking by Franchisee of any action in respect of the transaction that consequently vests in it a right to receive payment) or (ii) upon the conclusion of other services rendered by Franchisee resulting in the generation of Gross Revenues The Gross Revenue Based Continuing Royalty or GR Percentage component on such Gross Revenues shall be payable on the business day following the day on which such Gross Revenues are required to be reported pursuant to the Operations Manual Upon expiration or termination of this Agreement, the Gross Revenue Based Continuing Royalty or the GR Percentage component shall remain payable as to all transactions entered into or contracts made prior to the date of such expiration or termination, and Franchisee shall continue to maintain the Depository Checking Account described in paragraph 9 04 until such time as all outstanding sums due Franchisor have been collected from the Depository Checking Account by Franchisor Franchisee shall deposit the Gross Revenue Based Continuing Royalty or GR Percentage component into the Depository Checking Account immediately when payable under this subparagraph or the following subparagraph hereof Franchisee's Gross Revenue Based Continuing Royalty or GR Percentage component shall be paid to Franchisor regardless of the type of consideration received by Franchisee In circumstances involving non-cash Gross Revenues, the method and timing of payment of the Gross Revenue Based Continuing Royalty or GR percentage component may be varied in Franchisor's sole discretion and said non-cash Gross Revenues will be valued at its then fair market value (in the case of a promissory note, its then fair market value shall be equal to the stated face value of the note) Franchisor shall have the right, in its sole discretion, to reduce the Gross Revenue Based Continuing Royalty or GR Percentage component rate

(i) Notwithstanding the preceding subparagraph, at Franchisee's option, said Gross Revenue Based Continuing Royalty or GR Percentage component shall not be immediately payable on Gross Revenues not yet received by Franchisee, if payment of all or a portion of the commission earned is deferred pursuant to a written agreement, in which case the Gross Revenue Based Continuing Royalty or GR Percentage component shall be payable upon the actual receipt directly or indirectly of said commission, or portion thereof, by the Franchisee For purposes of calculating the Gross Revenue Based Continuing Royalty or GR Percentage component Thresholds (subparagraphs 5 02(b) and (c) hereof), deferred commissions shall be included in Gross Revenues only upon receipt

(j) No Continuing Royalty shall be payable with respect to commissions or referral fees arising from transactions subject to a binding written agreement prior to the date hereof A Gross Revenue Based Continuing Royalty or the GR Percentage component shall be payable upon any termination or expiration of this Agreement with respect to commissions or referral fees receivable in connection with any binding written agreement then in effect For purposes of this subparagraph, a listing agreement shall not be deemed to be a "binding written agreement"

(k) For each Anniversary Year, if Franchisee pays a Gross Revenue Based Continuing Royalty, then Franchisee's minimum Continuing Royalty will be equal to Seven Thousand Five Hundred Dollars ($7,500) If Franchisee pays an Agent Based Continuing Royalty, then for each Anniversary Year, Franchisee's minimum Continuing Royalty will be equal to the higher of Seven Thousand Five Hundred Dollars ($7,500) or 1 50% of Franchisee's Gross Revenues If Franchisee fails to pay the minimum Continuing Royalty in any Anniversary Year, Franchisor shall, following the end of such Anniversary Year, notify Franchisee of the amount by which Franchisee has failed to meet the minimum Continuing Royalty Franchisee shall pay to Franchisor such amount within 30 days after receipt by Franchisee of such notice If Franchisee pays an Agent Based Continuing Royalty, then Franchisor will include both the gross revenue component and the sales professional component when calculating the aggregate continuing royalty Franchisee paid during the year

**5 03 <u>Referral Fees</u>**

Franchisee shall pay to Franchisor an annual Referral Fee of $300 In the event this Agreement is terminated prior to its natural expiration date and Franchisee is in good standing at the time, Franchisor shall refund to Franchisee the appropriate pro-rata share of the annual fee previously paid to Franchisor

**5 04 <u>Late Charge</u>**

All delinquent payments of any sums due Franchisor shall bear interest from the date due until paid at the rate of 12 5% per annum or the highest rate permitted by law, whichever is lower

**5 05 <u>No Accord or Satisfaction</u>**

If Franchisee pays, or Franchisor otherwise receives, a lesser amount than the full amount provided for under this Agreement for any payment due hereunder, such payment or receipt shall be applied against the earliest amount due Franchisor Franchisor may accept any check or payment in any amount without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere shall constitute or be construed as an accord or satisfaction

**5 06 <u>Taxes Upon Payments to Franchisor</u>**

Should any sales and/or service tax be imposed upon payments made by Franchisee to Franchisor hereunder, Franchisee agrees to pay such amounts to Franchisor

## VI TERM

**6 01 <u>Term</u>**

The term of this Agreement shall be _________ years from the Effective Date hereof, unless sooner terminated pursuant to the provisions of this Agreement

**6 02 <u>No Renewal Rights</u>**

Franchisee shall have no renewal rights under this Agreement The tender or acceptance of payments from Franchisee by Franchisor after expiration or termination of this Agreement shall neither prejudice Franchisor's rights to enforce the expiration or termination of Franchisee's obligations upon expiration or termination, nor create any additional rights in Franchisee's favor under this agreement Following expiration or termination, any continued use of the Service Marks by Franchisee, the Franchised Business, or any of its sales associates will constitute willful and knowing infringement, dilution of Franchisor's trademark rights and unfair competition

**6 03 <u>Notice of Expiration Required by Law</u>**

If applicable law requires that Franchisor give a notice of expiration to Franchisee prior to the expiration of the term, Franchisor will give such required notice If Franchisor does not give such required notice, this Agreement shall remain in effect on a month-to-month basis only until Franchisee has received such required notice

## VII SERVICE MARKS

**7 01 <u>License</u>**

Franchisor hereby grants to Franchisee the non-exclusive right during the term hereof to use and display the Service Marks in accordance with the provisions contained herein and in the Operations Manual, solely in connection with the operation of the Franchised Business This license is for use of the Service Marks within the United States of America only Franchisor's consent and authorization must be obtained prior to Franchisee's use of the Service Marks in any form whatsoever outside the United States Franchisee acknowledges that Franchisor prescribes minimum standards respecting the nature and quality of the goods and services provided by Franchisee in connection with which the Service Marks are used Franchisee agrees to be responsible for and supervise all of its employees and agents in order to ensure the proper use of the Service Marks in compliance with this Agreement Franchisee shall use the Service Marks solely in connection with the Franchised Business and shall not use or display the Service Marks in connection with the operation of any business, the performance of any other service or the conduct of any real estate or other activity outside the scope of the Franchised Business The foregoing prohibition shall include, but not be limited to, the use or display of the Service Marks in connection with the brokerage or property management of Commercial Property not included within the definition of the Franchised Business and the rendering of mortgage brokerage, appraisal, financial or insurance services Franchisee agrees that all of Franchisee's use of the Service Marks under this Agreement inures to the benefit of Franchisor Nothing herein shall give Franchisee any right, title or interest in or to any of the Service Marks, except a mere privilege and license during the term hereof to display and use the same strictly according to the limitations provided in this Agreement and the Operations Manual Franchisee agrees that all artwork, graphics, layouts, slogans, names, titles, text or similar materials incorporating, or being used in connection with, the Service Marks that may be created by Franchisee, its employees, agents and subcontractors and any other party with whom it may contract to have such materials produced pursuant to this Agreement shall become the sole property of Franchisor, including copyright and trademark rights, and Franchisee agrees on behalf of itself, its directors, officers, partners, employees, shareholders, managers, members, principals, agents, subcontractors and any other party with whom it may contract to have such materials produced, to promptly execute any and all appropriate documents in this regard Franchisee agrees to join with Franchisor in any application to enter Franchisee as a registered or permitted user, or the like, of the Service Marks with any appropriate governmental agency or entity Upon termination of this Agreement for any reason whatsoever, Franchisor may immediately apply to cancel Franchisee's status as a registered or permitted user and Franchisee shall consent in writing to the cancellation and shall join in any cancellation petition The expense of any of the foregoing recording activities shall be borne by Franchisor

**7 02 <u>Use of Service Marks in Electronic Commerce</u>**

All use of the Service Marks used in electronic commerce, which includes all forms of electronic or computer communication except traditional television and radio, will be in accordance with the terms of the Operations Manual Franchisor may require that various types of electronic marketing or advertising utilize a specific template or format Franchisor shall register, own and control any web site address, domain name, or uniform resource locator (collectively, "Domain Name") containing the Service Marks or any permitted variation thereof which is used by Franchisee in the conduct of the Franchised Business Franchisee shall not license or register any Domain Name using the Service Marks, any Domain Name using an abbreviation of the Service Marks, or any Domain Name using any mark, images or words that are confusingly similar to any Service Marks Should Franchisee wish to utilize any Domain Name(s) containing the Service Marks in or for electronic commerce, including Internet or web site addresses, e-mail addresses and domain names, Franchisee must obtain Franchisor's prior written approval of such Domain Name(s), which approval shall be in Franchisor's sole discretion Franchisee shall reimburse any costs incurred by Franchisor relating to the initial registration and subsequent maintenance of any Domain Name(s) Franchisee agrees to operate its website(s) in strict accordance with the Franchise Agreement, the Operations Manual, and the Identity Standards of Franchisor The only Service Marks that may be used by Franchisee in Internet or web site addresses, e-mail addresses and domain names for the Franchised Business are "Real Living" and any permitted derivation thereof, which must only be used in accordance with the terms of the Identity Standards and Operations Manual These Service Marks may only be used in Internet or web site addresses, e-mail addresses and domain names for the Franchised Business itself The Service Marks may not be registered or used by any employees or agents of Franchisee in individual Internet or web site addresses, e-mail addresses and domain names at any time Franchisee agrees to be responsible for and supervise the creation of any Internet or web site addresses, e-mail addresses and domain names by any of its employees and agents in order to ensure compliance with this prohibition

## 7 03 <u>Acts in Derogation of the Service Marks</u>

(a) Franchisee agrees that as between Franchisor and Franchisee, the Service Marks are the exclusive property of Franchisor Franchisee now asserts no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof by virtue of Franchisee's franchised or licensed use thereof or otherwise It is expressly understood and agreed that ownership and title of the Service Marks and Franchisor's manuals, bulletins, instruction sheets, forms, methods of operation and goodwill are and, as between Franchisor and Franchisee, shall remain vested solely in Franchisor, and the use thereof is only co-extensive with the term of this Agreement Franchisee acknowledges that the material and information now and hereafter provided and/or revealed to Franchisee pursuant to this Agreement (including in particular, but without limitation, the contents of the Operations Manual) are confidential trade secrets of Franchisor and are revealed in confidence, and Franchisee expressly agrees to keep and respect the confidences so reposed, both during the term of this Agreement and thereafter Franchisor and the owner of the Service Marks, respectively, expressly reserve all rights with respect to the Service Marks, confidential trade secrets, methods of operation and other proprietary information, except as may be expressly granted to Franchisee hereby or in the Operations Manual Franchisor shall disclose its trade secrets to Franchisee by loaning to Franchisee for the term of this Agreement manuals and other written materials containing the trade secrets, through training and assistance provided to Franchisee hereunder, and by and through the performance of Franchisor's other obligations under this Agreement Franchisee acknowledges that Franchisor is the sole owner of all proprietary information and trade secrets, that such information is being imparted to Franchisee only by reason of its special status as a Franchisee of the System, and that the trade secrets are not generally known to the real estate brokerage industry or public at large and are not known to Franchisee except by reason of such disclosure Franchisee further acknowledges that it shall acquire no interest in the trade secrets, other than the right to utilize them in the development and operation of the Franchised Business during the term of this Agreement In addition, Franchisee acknowledges that the use or duplication of the trade secrets except as expressly permitted by this Agreement shall constitute an unfair method of competition and that Franchisor shall suffer irreparable injury thereby Franchisee agrees that it will not do or permit any act or thing to be done in derogation of any of the rights of Franchisor in connection with the Service Marks, either during the term of this Agreement or thereafter, and that it will use same only for the uses and in the manner franchised and licensed hereunder and as herein provided Furthermore, Franchisee and its employees and agents will not engage in any acts or conduct that impair the goodwill associated with the Service Marks or reflects poorly on Franchisor

(b) In connection with the operation of the Franchised Business, Franchisee agrees that at all times and in all advertising, promotions, signs and other display materials, on its letterheads, business forms, and at the Locations and other authorized business sites, in all of its business dealings related thereto and to the general public, it will identify the Franchised Business under an Assumed Name, or Assumed Names, approved by Franchisor, together with the words "AN INDEPENDENTLY OWNED AND OPERATED FRANCHISEE OF REAL LIVING REAL ESTATE, LLC", or such other similar designation as shall hereafter be prescribed by Franchisor, all in such form, size and style as shall be prescribed in the Operations Manual In its sole discretion, Franchisor retains the right to deny the use of certain words or phrases in an Assumed Name Franchisee shall file and keep current a "Fictitious Business Name Statement" (or similar document) with respect to any Assumed Name in the county or other designated region in which Franchisee is conducting business and at such other places as may be required by law Prior to commencing business under the Service Marks, Franchisee shall supply evidence satisfactory to Franchisor that Franchisee has complied with relevant laws regarding the use of fictitious or assumed names and, if applicable, the rules and regulations of the National Association of Realtors respecting use of any of their registered marks The total appearance of any Assumed Name and other identifying words must be approved, in advance, by Franchisor Franchisee further agrees that it will not identify itself as (i) Franchisor, (ii) a subsidiary, parent, affiliate, division, shareholder, partner, joint venturer, agent or employee of Franchisor or other owner of the Service Marks or (iii) any of Franchisor's other franchisees If Franchisee is a corporation or limited liability company, Franchisee shall not use in its corporate or entity name either the Service Marks or any words confusingly similar thereto, or the term "Realtor", which is a registered mark of the National Association of Realtors This paragraph 7 03 is not intended by the parties hereto to afford the National Association of Realtors any rights as a third party beneficiary

**7 04 <u>Use and Modification of Service Marks</u>**

At its sole expense, Franchisee shall replace the signage and materials of the existing Locations with signage and materials bearing the Franchisor's Service Marks within 90 days of the Effective Date

Franchisor may add to, substitute or modify any or all of the Service Marks from time to time, by either (i) a directive in the Operations Manual, or (ii) immediately, upon written notice if Franchisor is required by law to substitute or modify the Service Marks Franchisee shall accept, use, display, or cease using, as may be applicable, the Service Marks, including but not limited to, any such modified or additional trade names, trademarks, service marks, logo types and commercial symbols, and shall within 30 days of receiving notification, commence to implement such changes, at its expense, and use its best efforts to complete such changes as soon as practicable On expiration or sooner termination of this Agreement, Franchisor may, if Franchisee does not do so, execute in Franchisee's name and on Franchisee's behalf any and all documents necessary, in Franchisor's judgment, to end and cause a discontinuance of the use by Franchisee of the Service Marks and Assumed Name registrations and Franchisor is hereby irrevocably appointed and designated as Franchisee's attorney-in-fact to do so

**7 05 <u>Use of Other Trademarks</u>**

Franchisee shall not use or display or permit the use or display of trademarks, trade names, service marks, insignias or logo types other than an Assumed Name (i) in any advertisement that contains the word "Real Living" or any other Service Marks, (ii) in or on any

Location or place of business of Franchisee in any manner that is reasonably visible from outside such Location or place of business, (iii) in any form of electronic commerce, or (iv) in any computer system used at any Location or place of business of Franchisee, or otherwise in connection with the Franchised Business, in any manner that could lead any person to believe that such other trademarks, trade names, service marks, insignias or logo types or the products or services with which they are associated are owned or offered by the Franchisor or its affiliates, except as otherwise expressly permitted herein or in the Operations Manual

**7 06 <u>Prohibition Against Disputing Franchisor's Rights</u>**

Franchisee agrees that it will not, during or after the term of this Agreement, in any way, dispute or impugn the validity of the Service Marks licensed hereunder, or the rights of Franchisor thereto, or the right of Franchisor or other franchisees of Franchisor to use the same during the term of this Agreement or thereafter

**7 07 <u>Service Mark Infringement Claims and Defense of Service Marks</u>**

In the event Franchisee receives notice or otherwise becomes aware of any claim, suit or demand against it by any party other than Franchisor or its affiliates on account of any alleged infringement, unfair competition or similar matter arising from its use of the Service Marks in accordance with the terms of this Agreement, Franchisee shall promptly notify Franchisor of any such claim, suit or demand Franchisee shall have no power, right or authority to settle or compromise any such claim, suit or demand by a third party without the prior written consent of Franchisor Franchisor shall defend, compromise or settle at its discretion any such claim, suit or demand at Franchisor's cost and expense, using attorneys selected by Franchisor or the owner of the Service Marks, and Franchisee agrees to cooperate fully in such matter Franchisor shall indemnify and hold harmless Franchisee from and against any and all judgments resulting from any such claim, suit or demand arising from Franchisee's use of the Service Marks in accordance with the terms of this Agreement Franchisor shall have the sole discretion to determine whether a similar trademark or service mark being used by a third party is confusingly similar to the Service Marks being used by Franchisee and whether and what subsequent action, if any, should be undertaken with respect to such similar trademark or service mark

**7 08 <u>Display of Service Marks Material Consideration</u>**

Franchisee acknowledges that a material consideration in Franchisor's decision to award this franchise is the agreement of Franchisee to use and promote the Service Marks in conformance with the Operations Manual and the terms of this Agreement Franchisee agrees that, should it for any reason fail to use and promote the Service Marks in accordance with the terms of this Agreement, in addition to the other rights and remedies available to Franchisor for this and other breaches of this Agreement, Franchisee agrees to pay to Franchisor as liquidated damages and not as penalty, an amount equal to the total Continuing Royalty due and payable by Franchisee to Franchisor for the two Anniversary Years immediately preceding Franchisee's failure to comply with the terms of this paragraph

## VIII INSTRUCTION AND OPERATING ASSISTANCE

**8 01 Affiliate Integration Process**

Franchisor shall provide training for integration into the System to the Location Managers and other responsible management persons designated by Franchisee for each Original Location during the Affiliate Integration Process Within 15 days after the date this Agreement is executed Franchisor shall commence transition consultation and integration support for Franchisee Training shall be conducted within 60 days after the Effective Date, and be for such duration and at such time and place as Franchisor shall determine, including virtually, through instructor led training and web-based training formats Such Location Managers and designated persons must complete the Affiliate Integration Process within 60 days after the Effective Date, except as otherwise provided in writing by Franchisor In its discretion, Franchisor may require the General Manager or other principals of Franchisee to participate in the Affiliate Integration Process Franchisor reserves the right to limit the number of attendees at the Affiliate Integration Process to one responsible person for each Original Location

**8 02 Franchisee and Sales Professional Orientation**

Within 60 days after the Effective Date, Franchisor will provide to the Franchisee and its Sales Professionals an orientation to the Franchisor's products, tools and services via an online meeting or others means of electronic communications selected by Franchisor

**8 03 Staff Training Courses**

(a) Franchisor may make available to Franchisee, from time to time, optional staff training courses, seminars, conferences, or other programs, in a suitable location in Franchisor's discretion

(b) Upon reasonable notice, Franchisor may require attendance of designated personnel of Franchisee at training courses, seminars, conferences or other programs other than the Affiliate Integration Program that are deemed by Franchisor to be relevant or appropriate to the successful operation of the System Fees may be charged by Franchisor for required training courses, seminars, conferences or other programs

(c) In connection with any staff training courses described in subparagraphs 8 03(a) and 8 03(b) above, Franchisee shall pay the travel, hotel and meal expenses for Franchisee's attendees

**8 04 Regional and Annual Events**

Periodically, Franchisor may arrange a regional business conference for franchisees located in certain regions within the United States at which franchisees may participate in various programs with Franchisor and other franchisees Franchisor may also arrange for national business conferences (each a "National Event") Franchisee shall purchase one (1) National Event full registration package for each of its Locations for each National Event Franchisor arranges On or about the first of each year, if a National Event is to be held that year, Franchisor shall automatically deduct the cost of such registration from Franchisee's Depository

Checking Account All of Franchisee's management and sales professionals are strongly encouraged but not required to attend each Regional Event that is made available

**8 05 Continuing Assistance**

Franchisor shall provide such periodic assistance, as it deems appropriate, utilizing Franchisor's representatives who shall contact or visit the franchised Locations from time to time The frequency and duration of such contacts or visits to Locations by representatives of Franchisor shall be in the sole discretion of Franchisor In addition, Franchisor will be available on an ongoing basis for consultation and guidance with respect to the operation and management of the Franchised Business

**8 06 Proprietary Materials**

At the Sales Professional Orientation, Affiliate Integration Process, or other training programs (if any), Franchisor may provide to Franchisee proprietary information, training materials, training curricula and related Materials for use in connection with the training of Franchisee's staff Such items are and shall remain the property of Franchisor Franchisor may also from time to time make available to Franchisee for purchase Materials relevant to the System and the Franchised Business Franchisee shall not, and shall not allow its employees or others, to copy, reproduce, disseminate or otherwise reveal to third parties any of the foregoing proprietary information and related Materials without Franchisor's express prior written consent

**8 07 Timing**

Franchisee acknowledges that Franchisor's ability to provide the training, continuing assistance and other services provided for under Article VIII and Article IX hereof promptly following the Effective Date may be affected by various factors including the number of Locations being operated by Franchisee and the number of franchisees being incorporated into the Network at substantially the same time Franchisor shall establish a reasonable schedule to provide such services taking such factors into account and shall exercise commercially reasonable efforts to provide such services within the times otherwise provided hereunder

**8 08 Response to Consumer Complaints**

Franchisee agrees to respond to consumer and/or customer complaints as required by the Operations Manual, which among other requirements imposes upon Franchisee an obligation to work with Franchisor to respond reasonably to consumer or customer complaints

## IX OPERATION OF BUSINESS

**9 01 Franchisee Operational and Staff Requirements**

(a) Franchisee shall operate an Approved Broker Management System pursuant to paragraphs 9 02(b) and 9 02(c) hereof in a competent manner and failure to do so constitutes a material breach of this Agreement

(b) All Locations, including Restricted Purpose Locations, shall remain open on a full-time and continuous basis, except as caused by acts of God or other matters beyond the control of Franchisee (other than Franchisee's inability to procure money)

(c) Once a Location is Abandoned, it may not be reopened by Franchisee except as a new Additional Location, after compliance with all procedures and payment of fees applicable to Additional Locations

(d) Franchisee shall provide Franchisor with an estimate of the period of operation of each Subdivision Sales Office and a summary of any other pertinent details requested by Franchisor A Subdivision Sales Office may be established by Franchisee only upon the written consent of Franchisor, which consent shall not be unreasonably withheld but which consent may be subject to certain conditions at commencement of operations or any time thereafter, including (i) limitations on the authorized period and scope of operation and (ii) a requirement to operate and utilize an Approved Broker Management System or such other real estate software system specified in the Operations Manual for use in Subdivision Sales Offices

(e) Franchisee acknowledges that the System provides the opportunity to participate in a referral network, supported by Franchisor that promotes broker-to-broker referrals of business on a nationwide basis between Franchisee and other franchisees in the System as well as certain programs to generate referral activity and agrees that Franchisee is obligated to observe all terms, conditions and general referral policies as set forth in the Operations Manual

**9 02 <u>Reporting and Computer Software System Requirements</u>**

(a) Not later than 120 days after the Effective Date, and at all times thereafter, Franchisee, at its sole expense, shall install, be trained on, and continuously use, one of the approved real estate software systems set forth on Exhibit A attached hereto, or such other system approved by Franchisor in writing in its sole discretion, which approval may be subject to certain restrictions or conditions set forth by Franchisor Each such approved system is an "Approved Broker Management System", and includes an information interface capability that allows it to electronically communicate with Franchisor's designated computer system Franchisee must also maintain a software support agreement for the Approved Broker Management System Franchisee shall communicate data to Franchisor's designated computer system directly from Franchisee's computer system by use of an Approved Broker Management System Franchisor may update the list of Approved Broker Management Systems from time to time in the Operations Manual After installing an Approved Broker Management System, Franchisee may replace such Approved Broker Management System with another Approved Broker Management System, provided Franchisee gives Franchisor 30 days' prior notice of such replacement In the event that at any time following the First Anniversary Year, or earlier if otherwise provided in the approval for systems other than those set forth in Exhibit A, Franchisor determines in its sole discretion that such Approved Broker Management System has become inadequate, Franchisor shall so notify Franchisee and Franchisee shall take immediate steps to install, be trained on and use an alternative Approved Broker Management System within the time period (not less than 90 days) set forth in the Operations Manual

(b) Franchisee is required to report certain data to Franchisor on a periodic basis through an Approved Broker Management System, including, but not limited to, Gross Revenues received or receivable, closed sales and other closed contracts, as set forth in the Operations Manual USE BY FRANCHISEE OF AN APPROVED BROKER MANAGEMENT SYSTEM IS MANDATORY Without limiting the foregoing, commencing on the Effective Date, Franchisee is required to timely, accurately and fully report all closed transactions and other information as specified in the Operations Manual Such information shall be reported in the format specified in the Operations Manual Franchisor shall be the co-owner of any such reported information with unrestricted rights to use such information

(c) Franchisee shall report the data required by the Operations Manual manually until Franchisee becomes active on an Approved Broker Management System Franchisee shall submit manually reported information to Franchisor on a weekly basis commencing upon the Effective Date as further specified in the Operations Manual All payments due under this Franchise Agreement when Franchisee is reporting manually shall be collected through Franchisee's Depository Checking Account

(d) Franchisee must also maintain a software support agreement for the Approved Broker Management System In the event Franchisee does not maintain a software support agreement, Franchisor may purchase such software support it deems reasonably appropriate on Franchisee's behalf, and Franchisee shall reimburse Franchisor for all costs of such software support through an automatic deduction from Franchisee's Depository Checking Account

(e) If Franchisee is not active on an Approved Broker Management System within one hundred twenty (120) days of its Effective Date, or otherwise fails to comply with the electronic reporting requirements herein, Franchisee shall pay Franchisor an administrative fee for processing Franchisee's manual transactions as further provided in the Operations Manual

**9 03 <u>Communications Systems and Hardware</u>**

(a) At its sole expense, Franchisee shall obtain a data grade telephone line (the "data line") or other communication device and other hardware meeting the specifications prescribed by Franchisor in the Operations Manual, such data line or other communication device and other hardware to be used to facilitate communications between Franchisee's computer system and Franchisor's designated computer system Such data line or other communication device shall be available for all transmissions of data required by this Agreement for such periods and at such intervals as is set forth in the Operations Manual All costs associated with the maintenance of such data line or other communication device and other hardware shall be borne solely by Franchisee The data line or other communication device and other hardware shall be operational no later than 120 days following the Effective Date

(b) Franchisor reserves the right to require Franchisee, either upon prior written notice or as may be provided in the Operations Manual, to add commercial communications systems or capacities For example, and not by way of limitation, Franchisor may require electronic mail, Internet capacities and/or participation in an Intranet developed by Franchisor The cost of such systems or capacities shall be borne by Franchisee and may include a reasonable charge for services Franchisor chooses to provide

## 9 04 Depository Checking Account

At the Effective Date and thereafter, Franchisee shall establish and maintain a Depository Checking Account at a bank or other financial institution that is a participating member of the Depository Checking Account or such other network or system as may be directed by Franchisor pursuant to the guidelines set forth in the Operations Manual Franchisee shall instruct the institution holding the Depository Checking Account to allow Franchisor access to the Depository Checking Account for collection of Continuing Royalty and other fees set forth in this Agreement Under no circumstances shall such access to the Depository Checking Account be deemed control or joint control of the Depository Checking Account by Franchisor Franchisee continuously shall maintain a minimum balance in the Depository Checking Account of $1,500 or such higher continuous minimum balance as Franchisor shall deem reasonably necessary Franchisee shall reimburse Franchisor for all extraordinary costs incurred by Franchisor in collecting or attempting to collect funds due Franchisor from the Depository Checking Account (for example, without limitation, charges for non-sufficient funds, uncollected funds or other discrepancies in deposits or maintenance of the Depository Checking Account balance in accordance with the terms hereof) The Depository Checking Account shall be established and maintained solely for purposes set forth in this paragraph 9 04 and the Operations Manual

## 9 05 Operations Manual

(a) Franchisee shall operate the Franchised Business in accordance with the Operations Manual, a copy of which shall be provided to Franchisee on or soon after the Effective Date Franchisor shall have the right to modify the Operations Manual at any time by the addition, deletion or other modification of the provisions thereof Franchisor agrees that although such modifications to the Operations Manual may be material in that they may have an effect on the operation of the Franchised Business, they may not conflict with or materially alter the terms of this Agreement All such additions, deletions or modifications shall be effective five business days after Franchisor has given notice to Franchisee in accordance with paragraph 14 07 hereof or, at Franchisor's option, provided Franchisee with an electronic copy of the revisions to the Operations Manual

(b) All additions, deletions or modifications to the Operations Manual shall be equally applicable to all similarly situated Franchisees The Operations Manual, as modified or amended from time to time, shall not alter Franchisee's fundamental status and rights under this Agreement As modified from time to time, the Operations Manual shall be deemed to be an integral part of this Agreement and references to the Operations Manual made in this Agreement, or in any amendments or exhibits hereto, shall be deemed to mean the Operations Manual, as amended from time to time

(c) Franchisor shall furnish to Franchisee at no additional charge an electronic copy of the Operations Manual and Identity Standards Manual during the Affiliate Integration Process, all of which copies shall at all times remain the sole, confidential, trade secret property of the Franchisor Upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall immediately return the Operations Manual and Identity Standards Manual to Franchisor and shall retain no copy or reproduction Except as specifically permitted by

Franchisor, at no time may Franchisee, or its employees or agents, make, or cause to be made, any copies or reproductions of all or any portion of the Operations Manual and Identity Standards Manual and shall not disclose the terms thereof to any other person except employees and agents of Franchisee when required in the operation of the Franchised Business by means of electronic communication The Operations Manual and Identity Standards Manual may not be forwarded to anyone and no electronic copy provided to anyone except as provided by Franchisor

**9 06 Signs and Display Materials**

Franchisee agrees that all signs, display materials and other Materials shall be in full compliance with the specifications provided in, and in conformity with, the Operations Manual Said Materials may be purchased and procured by Franchisee from Franchisor or suppliers designated or approved by Franchisor in accordance with Operations Manual guidelines

**9 07 Telephone Numbers**

At its sole expense, Franchisee shall obtain telephone listings in accordance with procedures prescribed by the Operations Manual, in at least one applicable telephone directory of general distribution covering the Locations and Restricted Purpose Locations, or such other areas as Franchisor may direct, of its authorized Assumed Name as promptly as possible after the Effective Date of this Agreement, and shall list telephone numbers for each Location If Franchisee is engaged in businesses other than the Franchised Business, Franchisee must maintain different telephone numbers and may make no reference to the Franchised Business in any telephone listings in respect of such other businesses

**9 08 Contact Person**

Franchisee shall appoint a Contact Person(s), who shall be responsible to receive and disseminate all marketing and other materials received from Franchisor Contact Person shall participate in conference calls and other events as provided in the Operations Manual Failure to comply herewith shall result in those actions provided by the Operations Manual Franchisee shall notify Franchisor of the name, business address, business email address and business phone number of the Contact Person, updating such information whenever a change occurs

**9 09 Insurance**

Franchisee shall have in effect on the Effective Date and maintain during the term hereof insurance in such types and amounts as are specified in the Operations Manual All policies of insurance to be maintained by Franchisee shall contain a separate endorsement naming the Franchisor and if required by Franchisor, its parent and affiliated companies, as additional insured Such policies of insurance shall not be subject to cancellation or modification except with 30 days' prior written notice to the Franchisor Franchisee shall cause certificates of insurance showing compliance with the above requirements to be delivered to the Franchisor at the initiation of the Franchise Agreement and at such other times as Franchisor may request In the event Franchisee does not maintain the insurance coverage required in the Operations Manual, then in addition to any other rights and remedies available to it under the Agreement, Franchisor may purchase such policies of insurance as it deems required and Franchisee shall reimburse Franchisor for all costs of such insurance

## 9 10 Records and Rights of Inspection

(a) Franchisee covenants and agrees that it shall keep and maintain during the term hereof, and for a period of 36 months following expiration or termination for any reason, full, true and complete records of all revenues and expenditures respecting each Location and Restricted Purpose Location, whether related to the Franchised Business or otherwise, in the form and manner specified by Franchisor in its Operations Manual Franchisee shall permit Franchisor or its representatives or agents selected in the sole discretion of Franchisor, during normal business hours, to examine e books of accounts, bank statements, documents, records, papers, and federal, state and local tax return records relating to the Franchised Business or individual officers, directors, owners, partners, or affiliated or related entities or shareholders If Franchisor should cause an examination to be made and the Gross Revenues or business transacted as shown by Franchisee's records should be found to be understated by any amount, Franchisee shall immediately pay to Franchisor the additional amount payable as shown by such examination, plus interest thereon at the rate of 15% per annum or the highest rate of interest allowed by law, whichever is lower, computed from the date (or dates) said understated amount (or amounts) were due If (i) Franchisee's Gross Revenues are found to be understated by two percent or more or (ii) if Franchisee's financial records require a substantial effort (as determined in the sole judgment of Franchisor, exercised in good faith) on behalf of Franchisor's examinators to be placed in a condition readily conducive to examination, Franchisee shall pay to Franchisor the entire cost of such examination, otherwise, the cost of the examination shall be borne by Franchisor If either Franchisee or Franchisor cancels a scheduled examination, the party canceling such examination will pay the costs arising out of the cancellation Franchisee shall furnish the Franchisor with a copy of any and all certified financial statements respecting Franchisee's business, and relevant information from Franchisee's Multiple Listing Service, if requested, without any cost or expense to Franchisor

(b) Within 120 days after the end of each of Franchisee's fiscal years, Franchisee shall furnish Franchisor with (i) a Profit and Loss Statement and Balance Sheet of the Franchised Business for the previous fiscal year, (ii) a Reconciliation of Gross Revenues for the previous fiscal year, (iii) a report of sales closed through Franchisee's Approved Broker Management System for the previous fiscal year, (iv) a list of Franchisee's Locations and Restricted Purpose Locations (including the addresses and telephone numbers of each office and the number of sales professionals, if any, who operate from each office), (v) such materials as Franchisor shall require with respect to compliance with Identity Standards, (vi) such materials as Franchisor shall require with respect to compliance with applicable laws, rules and regulations, and (vii) any further information Franchisor shall reasonably require All such financial statements and information shall be prepared in accordance with the guidelines prescribed by Franchisor in the Operations Manual, and shall be certified by Franchisee or, in the case of a corporate Franchisee, by Franchisee's Chief Executive Officer or Chief Financial Officer, as being true, complete and correct

(c) Franchisor shall have the right, at any time, to use any financial report or statement, or any information derived therefrom, relating to the Franchised Business or any or all of the Locations and Restricted Purpose Locations, as part of Franchisor's Franchise Disclosure Document or similar disclosure document

**9 11 <u>Review</u>**

Upon reasonable prior written notice, Franchisor shall have the right to send representatives at reasonable intervals during normal business hours, into Franchisee's Locations or Restricted Purpose Locations to inspect Franchisee's other records, operations, business methods, service, management and administration, to determine the quality thereof and the faithfulness of Franchisee's compliance with the provisions of this Agreement and the Operations Manual  If such other records are not located at a Location or Restricted Purpose Location, Franchisor's representatives shall have the right to inspect said other records, wherever located

**9 12 <u>Compliance with Laws</u>**

Franchisee shall (a) operate the Franchised Business in compliance with all applicable laws, rules and regulations of all governmental authorities, (b) comply with all applicable wage, hour and other laws and regulations of the federal, state or local governments, (c) prepare and file all necessary tax returns, (d) pay promptly all taxes imposed upon Franchisee or upon its business or property, and (e) at all times comply with the Code of Ethics of the National Association of Realtors and other appropriate organizations  Franchisee represents and warrants that it shall obtain and at all times maintain all necessary permits, certificates and/or licenses necessary to conduct the Franchised Business in the localities within which each Location or other office is situated  Franchisee shall immediately notify Franchisor of any litigation, arbitration, disciplinary action, criminal proceeding, or any other legal proceeding or action brought against or involving Franchisee, or any entity affiliated with Franchisee, or any agent, employee, officer, member, manager, owner, director or partner of Franchisee, which notification shall include all relevant details in respect thereof, according to the procedures set forth in the Operations Manual

**9 13 <u>No Other Real Estate Brokerage Businesses</u>**

Franchisee acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and trade secrets, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of the System  In consideration for the use and license of such valuable information, Franchisee agrees that it shall not, during the term of this Agreement, act as a real estate broker with respect to any business other than the Franchised Business, nor operate, manage, own, assist, license, sublicense, act on behalf of, represent, or hold an interest, direct or indirect (as an employee, officer, director, shareowner, partner, joint venturer or otherwise), in any real estate brokerage business other than the Franchised Business, without the express prior written consent of Franchisor  Franchisee acknowledges that the Franchised Business does not include, among other things, Acting as a Real Estate Broker with respect to a transaction involving Commercial Property having a gross listing or sales price that exceeds $25,000,000, and such action is, therefore, included in the prohibition contained in the preceding sentence  It is the intention of the parties that Franchisee maximize the Gross Revenues of the Franchised Business for the mutual benefit of Franchisor and Franchisee, and any action of Franchisee that diverts business to another entity or diminishes the Gross Revenues of the Franchised Business shall be a material breach of this Agreement Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with, any person, persons, partnership, or corporation, (a) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Service Marks or the System, or (b) solicit any person who is at that time employed by Franchisor to leave his or her employment This paragraph 9 13 shall apply to each Equity Holder of Franchisee

Franchisee acknowledges that the restrictions contained in this paragraph are reasonable and necessary in order to protect legitimate interests of Franchisor, and in the event of violation of any of these restrictions, Franchisor shall be entitled to obtain damages including, without limitation, Continuing Royalty and other fees that would have been payable if such business were included in the Franchised Business, and an equitable accounting of all earnings, profits and other benefits arising from such violation, which rights and remedies shall be cumulative and in addition to any other rights or remedies to which Franchisor may be entitled at law or in equity

Franchisee agrees that it and each of its Equity Holders will give written notice to Franchisor prior to engaging in any real estate related business other than the Franchised Business ("RERB"), including, without limitation, mortgage, escrow, construction, development, appraisal, referral and consulting matters, and Franchisee acknowledges that it and each of its Equity Holders have given such written notice prior to entering into this Agreement If Franchisor so directs, Franchisee and each of its Equity Holders shall execute an agreement acceptable in form and content to Franchisor that there will be no use of the Service Marks in connection with any RERB, that all real estate transactions involving both the Franchised Business and any RERB shall be conducted on an arm's length basis and that any RERB is subject to the provisions of subparagraph 9 10(a) above

**9 14 Change in Status Processing**

Requests for (a) change of Assumed Name, (b) relocations of any Locations or Restricted Purpose Locations, (c) closures of any Locations, (d) changes in designated Responsible Agent or Broker, (e) establishment or extension of the authorized operational period of a Subdivision Sales Office, or (f) other changes in status as may be specified from time to time by Franchisor, shall be made on such form as designated by Franchisor in the Operations Manual No approvals shall be effective until delivered in writing and signed by an officer of Franchisor

9 15 <u>Listing Feeds</u>

Franchisee agrees to arrange, at Franchisee's sole expense, for Franchisor or its designee to receive one or more direct electronic feed of all real estate listings, including all supporting content, from the multiple listing service(s) used by Franchisee (collectively, the "Listings") in compliance with the then-effective and current Virtual Office Website ("VOW") and/or Internet Data Exchange (IDX) standards adopted by the National Association of Realtors® or such other standards and procedures that Franchisor periodically specifies

## X ASSIGNMENT

10 01 <u>Assignment by Franchisor</u>

Franchisor shall have the right to Transfer any or all of its direct or indirect interest in this Agreement (including, without limitation, the economic benefits derived from this Agreement), and any or all of its rights and privileges hereunder to any other person, firm or corporation ("Assignee of Franchisor"), provided that, in respect to any Transfer ("Assignment by Franchisor") resulting in the subsequent performance by such Assignee of Franchisor of the functions of the Franchisor (a) at the time of Assignment by Franchisor, the Assignee of Franchisor is financially responsible and economically capable of performing the obligations of Franchisor hereunder, and (b) the Assignee of Franchisor expressly assumes and agrees to perform such obligations In the event of such Assignment by Franchisor, Franchisor shall be relieved of all obligations or liabilities then existing or thereafter assertable under this Agreement, provided however, that if Franchisee continues to comply with all terms and conditions of this Agreement, including but not limited to paragraph 3 03 and Articles VII and IX hereof, then Franchisee shall be entitled during such continued compliance to use the Service Marks licensed hereunder until the later of the end of the then current term of this Agreement or two years from the date of such Assignment by Franchisor At the end of such period of continued compliance and use of the Service Marks, Franchisee shall comply with the terms of paragraph 13 01 below

10 02 <u>Assignment by Franchisee</u>

(a) <u>Restriction on Transfer</u> This Agreement is being entered into in reliance upon and in consideration of the singular personal skills and qualifications of Franchisee and its principals or, in the case of a corporate Franchisee, the principal officers thereof who will actively and substantially participate in the ownership and operation of the Franchised Business or, in the case of a partnership Franchisee, the partners thereof who will actively and substantially participate in the ownership and operation of the Franchised Business or, in the case of a limited liability company, the manager(s) or managing member(s) who will actively and substantially participate in the ownership and operation of the Franchised Business Therefore, neither Franchisee nor any immediate or remote successor to Franchisee, nor any individual, partnership, corporation, limited liability company or other legal entity that directly or indirectly owns an equity interest (as that term is defined herein) in Franchisee, shall Transfer any direct or indirect interest in this Agreement, in the Franchised Business or in the economic benefits derived therefrom, or any equity interest in Franchisee, in whole or in part, in any manner, except as permitted by this Agreement Any purported Transfer of any interest in this Agreement, the

Franchised Business, or an equity interest in Franchisee not in accordance with this Agreement shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may terminate this Agreement upon notice without opportunity to cure, pursuant to subparagraph 11 02(d) of this Agreement

(b) Transfers to Employees, Officers, Directors, Members, Managers, Agents, Owners Except as otherwise provided in this Agreement, without Franchisor's prior written consent, (i) Franchisee or an Equity Holder may Transfer or issue in any single transaction or series of transactions up to five percent (5%) of the equity interest in Franchisee to an employee, officer or agent of Franchisee directly involved in the operation of the Franchised Business on a full-time basis at the time of such Transfer or issuance, and (ii) Designated Equity Holders (identified in part 8 of Exhibit C hereof) may receive a Transfer of up to 25% of the equity interest in Franchisee, provided (in either case) that such Transfer, when combined with all other Transfers that have occurred since Franchisee shall have been a franchisee of Franchisor, does not affect a change in Control of Franchisee For the purposes of this subparagraph (b), the term "full-time" shall mean generally working an average of 35 or more hours per week Notwithstanding the foregoing, the parties acknowledge that it is possible that circumstances may change or additional information regarding Designated Equity Holders may come to light after the Effective Date Therefore, Franchisee shall give Franchisor prior written notice of any Transfer to Designated Equity Holders, and Franchisor may prohibit such Transfer to the Designated Equity Holders within 30 days thereafter if Franchisor articulates, in the exercise of its reasonable business judgment, a material reason for such prohibition not related to the information Franchisee has previously disclosed to Franchisor regarding such individuals, or not otherwise actually known by any of the officers of Franchisor, on the date hereof

(c) Transfers to Family Members Franchisee or an Equity Holder, if a natural person, may with Franchisor's consent, which will not be unreasonably withheld, Transfer the Franchised Business or an equity interest in Franchisee to such person's spouse, parent, sibling, niece, nephew, descendant or spouse's descendant provided that adequate provision is made for the management of the Franchised Business and the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement

(d) Transfers to Affiliated Corporations Franchisee or an Equity Holder, if a natural person, a sole proprietorship or a partnership, may without the consent of Franchisor, upon 30 days' prior written notice to Franchisor, Transfer the Franchised Business or an equity interest in Franchisee to a corporation or limited liability company entirely owned by such natural person, sole proprietorship or partnership, as the case may be, in the same proportionate amount of ownership as prior to such Transfer, provided that (i) adequate provision is made for the management of the Franchised Business and that the transferor guarantees, in form and substance satisfactory to Franchisor, the performance of the transferee's obligations under this Agreement, and (ii) such Transfer may be denied by Franchisor if, in Franchisor's reasonable judgment, the economic resources of the transferee are not sufficient to fully and faithfully conduct the Franchised Business as contemplated by this Agreement or the Transfer and the prospective transferees may reasonably be expected to have a negative effect on the reputation or business operations of the Franchised Business, the Network, the System, or Franchisor, its parent or any of its affiliates

(e) Transfers Upon Death, Incapacity Notwithstanding any of the foregoing, in the event of the death or legal incapacity of Franchisee or an Equity Holder, if a natural person, such person's interest in this Agreement or its equity interest in the Franchisee will Transfer in accordance with such person's will or, if such person dies intestate, in accordance with laws of intestacy governing the distribution of such person's estate, provided that adequate provision is made for the management of the Franchised Business and the transferee is one or more of the decedent's spouse, parents, siblings, nieces, nephews, descendants or spouse's descendants A Transfer pursuant to this subparagraph 10 02(e) shall be free from Franchisor's right of first refusal provided in paragraph 10 03 hereof so long as subparagraph 10 02(m) is complied with

(f) Restrictions on Granting Security Interests and Subfranchising Except as otherwise set forth below, Franchisee shall not in any event have the right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever, nor subfranchise or otherwise Transfer, or attempt to subfranchise or otherwise Transfer any Location so long as it is operated as a Location, or to Transfer or subfranchise a portion but not all of Franchisee's rights hereunder without the express prior written permission of Franchisor, which permission may be withheld for any reason whatsoever in Franchisor's sole discretion Notwithstanding anything contained herein to the contrary, Franchisee shall have the right to pledge its accounts receivable without the prior written consent of Franchisor for the sole purpose of obtaining financing for the operation of the Franchised Business provided Franchisee is in full compliance with all of the terms and conditions of this Agreement, and any other agreement, arrangement or understanding with Franchisor

(g) Other Transfers Except as otherwise provided in this Agreement and subject to Franchisor's right of first refusal provided in paragraph 10 03 hereof, Franchisee or an Equity Holder may effect any Transfer of a direct or indirect interest in this Agreement, in the Franchised Business or in the economic benefits derived there from, or any equity interest in Franchisee, not permitted by the preceding subparagraphs (b) through (e), only after written notice to Franchisor and only with Franchisor's written consent, which may not be unreasonably withheld Franchisor shall exercise its good faith business judgment in determining whether to give or withhold its consent to a Transfer under this subparagraph 10 02(g) Such exercise of good faith business judgment shall include Franchisor's consideration of certain skills and qualifications of the prospective transferee that are of business concern to Franchisor, including without limitation, the following experience in real estate brokerage, financial and operational skills and qualifications, economic resources, reputation and character of such prospective transferees, the ability of such prospective transferee(s) to fully and faithfully conduct the Franchised Business as contemplated by this Agreement, and the effect that the Transfer and the prospective transferees will have or may reasonably be expected to have on the reputation or business operations of the Franchised Business, the Network, the System, or Franchisor, its parent or any of its affiliates

(h) Equity Interest Defined An "equity interest" in an entity shall mean any stock or partnership interest, membership interest or other direct or indirect beneficial ownership interest in such entity (whether partnership, corporation, limited liability company, trust or otherwise), or in the economic benefits derived therefrom, and if the holder of such equity interest is not a natural person, "equity interest" shall also include any stock or partnership interest, membership interest or other direct or indirect beneficial ownership interest in, or in the economic benefits derived from, such holder "Equity interest" in Franchisee shall also include any direct or indirect interest in this Agreement, in the Franchised Business or in the economic benefits derived therefrom or in the assets of the Franchised Business if such assets are Transferred in connection with a Transfer of a substantial portion of such assets "Equity Holder" shall mean any holder of an equity interest or other ownership interest in Franchisee and shall not include Franchisee itself

(i) Computing Equity Interests In computing the percentages of equity interests in Franchisee, limited partners will not be distinguished from general partners in the case of partnerships, and Franchisor's judgment will be final if there is any question of the definition of "equity interest" or as to the computation of relative equity interests, the principal considerations being (i) direct and indirect power to exercise control over the affairs of Franchisee, (ii) direct and indirect right to share in Franchisee's profits, and (iii) amounts directly or indirectly exposed to risk in Franchisee's business Equity interests may be Transferred only if the Transfer is registered or exempt from registration under federal securities laws If Franchisee is a partnership or corporation, Franchisee represents that the equity interests in Franchisee are directly and (if applicable) indirectly owned as shown on Exhibit C attached hereto

(j) Registration of Proposed Transfer If a proposed Transfer of an equity interest in Franchisee requires registration under any federal or state securities law, Franchisee shall (i) request Franchisor's consent at least 45 days before the proposed effective date of the registration, (ii) accompany such requests with one payment of a non-refundable fee of $10,000, (iii) reimburse Franchisor for expenses incurred by Franchisor in connection with review of materials concerning the proposed registration, including without limitation, attorneys' fees and travel expenses, and (iv) agree, and all participants in the proposed offering subject to registration shall agree, to fully indemnify Franchisor in connection with the registration in writing, in form and substance satisfactory to Franchisor, furnish Franchisor all information requested by Franchisor, avoid any implication of Franchisor's participating in or endorsing the offering, and use Franchisor's service marks and trademarks only as directed by Franchisor

(k) Transfer and Processing Fees Except for Transfers set forth in 10 02 (c) and (e) above, n the event Franchisee submits a request for a Transfer of a ten percent (10%) or greater equity interest in Franchisee, a Transfer that would result in a change in Control of Franchisee, or an assignment of this Agreement, Franchisee shall pay to Franchisor a non-refundable transfer and processing fee of $1,000 Such transfer and processing fees are payable simultaneously with such application for a Transfer or assignment

(l) Assumption of Obligations Prior to any Transfer by Franchisee or an Equity Holder of an equity interest in Franchisee permitted hereunder, if the transferor thereof is a party to any agreement or understanding with Franchisor, including, without limitation, a guarantee of Franchisee's obligations hereunder, such transferor shall give Franchisor 30 days' prior written notice of the Transfer (except under subparagraph 10 02(e) hereof) and (i) shall cause the transferee to enter into an equivalent agreement or understanding with Franchisor prior to such Transfer in form and substance satisfactory to Franchisor, and (ii) in any event, shall cause the transferee and each Equity Holder of such transferee to expressly assume in writing for the benefit of Franchisor all of the respective obligations of Franchisee and its Equity Holders under this Agreement No such Transfer shall be effective unless and until such transferee and each

Equity Holder of such transferee complies fully with the terms of this paragraph, notwithstanding any other provision of this Agreement

(m) Conditions Precedent to Transfer Franchisor may impose certain conditions precedent to its required consent to a Transfer pursuant to this Article X including, without limitation, the following

(i) that the proposed transferee (or the principal Equity Holders thereof) present themselves for a personal interview at Franchisor's corporate office, or such other location designated by Franchisor, at such date and time reasonably requested by Franchisor, without expense to Franchisor and prior to such Transfer,

(ii) Franchisee shall have complied fully as of the date of any such Transfer with all of its obligations to Franchisor, whether under this Agreement or any other agreement, arrangement or understanding with Franchisor, and

(iii) the transferee of Franchisee agrees that all of Franchisor's training and orientation programs then required by Franchisor shall be satisfactorily completed by transferee's necessary personnel within 30 days after the effective date of such Transfer, and such transferee agrees to pay for all of its expenses incurred in connection therewith, including travel, hotel and meal expenses

(iv) concurrent with the Transfer, Franchisee and any transferee of Franchise or the Franchised Business shall enter into a new Franchise Agreement on the terms of Franchisor's then current standard form of Franchise Agreement for the then current initial franchise term, and all Equity Holder(s) shall execute such other documents reasonably requested by Franchisor in connection with the Transfer, including, without limitation, Franchisor's then current standard form of Nondisclosure, Noncompetition and Nontransfer Covenant and Personal Guarantee

(n) No Waiver Franchisee acknowledges (i) that any consent granted or withheld by Franchisor under this Article X shall not serve to waive Franchisor's right to grant or withhold consents thereafter, and (ii) that Franchisor may consider the effect (cumulative or otherwise) of prior transfers in determining whether to grant or withhold its consent to any Transfer

(o) Notice If a Transfer occurs that is permitted without Franchisor's prior written consent pursuant to this paragraph 10 02, Franchisee and the transferor shall give Franchisor notice of such Transfer within ten days after such Transfer and shall provide all related information reasonably requested by Franchisor

**10 03 Right of First Refusal**

(a) Except as otherwise provided in paragraph 10 02 hereof, the right of Franchisee and Equity Holders to Transfer any equity interest in Franchisee or any direct or indirect interest in this Agreement, the Franchised Business or the economic benefits derived therefrom, or in the assets of the Franchised Business if the Transfer of such assets is made in connection with a Transfer of a substantial portion of such assets, as permitted in paragraph 10 02 hereof, shall be subject to Franchisor's right of first refusal with respect thereto if such Transfer (i) is in excess of twenty-five percent (25%) of such equity interest in any single transaction or series of related transactions or (ii) effects a change in Control of Franchisee, unless the transferee is one of the Designated Equity Holders (identified in part 7 of Exhibit C hereto) Franchisor's said right of first refusal may be exercised in the following manner

(b) Franchisee or such Equity Holder shall serve upon Franchisor a written notice setting forth (i) all of the terms and conditions of any offer or agreement relating to a proposed Transfer by such person, or all terms and conditions of any proposed Transfer arising out of, or resulting from, any judicial proceeding, arbitration or other quasi-judicial proceeding, and (ii) all available information concerning the proposed transferee of such person

(c) Within thirty (30) business days after Franchisor's receipt of such notice (or if it shall request additional information, within thirty (30) business days after receipt of such additional information), Franchisor shall notify the proposed transferor of one of the following

(i) Franchisor shall exercise its right of first refusal as provided herein, or

(ii) Franchisor grants its consent to such Transfer to the proposed transferee as stated in the notice, or

(iii) Franchisor shall not exercise its right of first refusal and does not consent to such Transfer

(iv) If Franchisor does not notify the proposed transferor within such time period, Franchisor's consent to the proposed Transfer shall be deemed denied and Franchisor shall be deemed to have declined to exercise its right of first refusal

(d) If Franchisor shall elect to exercise its right of first refusal, it shall purchase the equity interests or assets proposed to be Transferred on the same terms and conditions as set forth in such offer or agreement, or in the case of a proposed Transfer pursuant to a judicial proceeding, arbitration or quasi-judicial proceeding, on the same terms and conditions as set forth in the written notice set forth in subparagraph (b) above If Franchisor shall elect not to exercise its right of first refusal and shall consent to such Transfer, the proposed transferor shall for a period of 90 days be free to so Transfer to such proposed transferee upon the terms and conditions specified in said notice If, however, said terms shall be materially changed, or if said 90-day period shall have expired, Franchisor shall again have such right of first refusal with respect thereto and the proposed transferor shall again be required to comply with subparagraph 10 03(a) above

(e) Franchisor's right of first refusal as contained herein shall in no way modify or diminish Franchisor's right to withhold its consent to Transfer under paragraph 10 02 hereof

**10 04 <u>Transfer of Premises</u>**

In the event of a Transfer by Franchisee of this Agreement or the Franchised Business, if legally permissible, Franchisee shall also Transfer all of its rights under any lease(s) for its Locations or Restricted Purpose Locations or any other property necessary for the operation of the Franchised Business to the same transferee of Franchisee

## XI DEFAULT AND TERMINATION

**11 01 General**

(a) This Agreement may be terminated unilaterally by Franchisor only for good cause, which for purposes of this Agreement shall mean a material violation of this Agreement or any other agreement, lease or undertaking between Franchisee or any of its Equity Holders or affiliates and Franchisor or any of its affiliates and shall include any failure by Franchisee to substantially comply with any obligation, duty or promise under the Agreement, including, without limitation, those acts or omissions specified in paragraphs 11 02 and 11 03 hereof Franchisor shall exercise its right to terminate this Agreement in the manner described in this Article XI

(b) Notwithstanding anything contained herein to the contrary, in those circumstances under which Franchisor shall have the right to terminate this Agreement, Franchisor shall have the right to exercise any and all remedies available to it at law or in equity, including without limitation specific performance and damages (including without limitation direct, indirect, special, incidental or consequential damages ) All rights and remedies provided in this Article XI and elsewhere in this Agreement shall be in addition to and not in substitution of all other rights and remedies available to a party at law or in equity

**11 02 Termination Without Prior Notice**

Franchisor shall have the right to terminate this Agreement without prior notice to Franchisee upon the occurrence of any or all of the following events, each of which shall be deemed an incurable breach of this Agreement

(a) If Franchisee shall Abandon all of its Locations and Restricted Purpose Locations,

(b) To the extent permitted by law, (i) if Franchisee or, in the case of a partnership, a general partner thereof becomes insolvent (as revealed by its records or otherwise), or (ii) if Franchisee files a voluntary petition and is adjudicated bankrupt, or if an involuntary petition is filed against Franchisee and such petition is not dismissed within 30 days, or (iii) if Franchisee shall make an Assignment by Franchisee for the benefit of creditors, or (iv) if a receiver or trustee in bankruptcy or similar officer, temporary or permanent, be appointed to take charge of Franchisee's affairs or any of its property, or (v) if dissolution proceedings are commenced by or against Franchisee (if a corporation, limited liability company or partnership) and are not dismissed within 30 days thereafter, or (vi) if any final judgment against Franchisee from which no further appeal is available and which is not currently on appeal remains unsatisfied or unbonded of record for 30 days after receipt by Franchisee of actual or constructive notice thereof, and the amount of such judgment exceeds the lesser of $50,000 or 10% of Franchisee's Gross Revenues for the preceding Anniversary Year, whichever is less,

(c) If (i) Franchisee has knowingly (as determined by Franchisor in its discretion) either inaccurately reported or withheld the reporting of any Gross Revenues twice within 12 consecutive calendar months, or if (ii) a Designated Equity Holder or an Equity Holder having a 10% or greater equity interest in Franchisee has knowingly and directly caused or authorized Franchisee to either inaccurately report or withhold the reporting of any Gross Revenues,

(d) If Franchisee shall violate the provisions of paragraph 10 02 of this Agreement or otherwise attempt or purport to sell, assign, transfer or encumber the Service Marks without the prior written consent of Franchisor as hereinabove provided,

(e) If Franchisee's real estate broker's license is suspended or revoked, and such license or a substitute license has not been reinstated within seven days thereafter,

(f) If Franchisee shall default in any material obligation in respect of which Franchisee twice previously within the preceding 12 months has received a notice of default from Franchisor with respect to the same or similar breach,

(g) If Franchisee shall default in its obligation to permit Franchisor or its representative or agents to examine books of accounts, bank statements, documents, records, papers or tax return records under paragraphs 9 10 or 9 11 hereof,

(h) If Franchisee fails for two consecutive Anniversary Years after the First Anniversary Year to achieve Gross Revenues sufficient to generate the minimum Continuing Royalty set forth in subparagraph 5 02(k) herein,

(i) If Franchisee engages in any activity in violation of Article VII of this Franchise Agreement that could not, under any circumstances (as determined by Franchisor in its discretion), result in a complete cure or remedy of any damage caused by such violations,

(j) If Franchisee violates trust account rules and regulations,

(k) If Franchisee has knowingly (as determined by Franchisor in its discretion) either inaccurately reported or failed to report any information as part of its application or qualification as a Franchisee, or

(l) If Franchisee materially violates any federal, state or local law, rule or regulation

**11 03 <u>Termination With Notice</u>**

(a) Franchisor may terminate this Agreement if within 24 hours of receipt of written notice by Franchisor to cure, Franchisee fails to cure a violation of the Franchise Agreement that in Franchisor's sole discretion and judgment impairs the Service Marks, including without limitation any act or conduct by Franchisee or its employees or agents that in Franchisor's sole discretion and judgment impairs the goodwill associated with the Service Marks

(b) Franchisor may terminate this Agreement if Franchisee uses the Service Marks in any manner that is not permitted by this Agreement, or takes any action that incorrectly indicates that certain products or services are associated with the Service Marks, and Franchisee fails to cure such violation within 24 hours of receipt of written notice by Franchisor to cure

(c) With respect to any default by Franchisee of its obligation to pay any sums due Franchisor under this Agreement, Franchisor may terminate this Agreement upon not less than 14 days' prior written notice of such default If Franchisee shall cure said default prior to the end of such period, Franchisor's right to terminate shall cease with respect to the breach that has been so cured

(d) Except as otherwise expressly provided herein, including, without limitation, paragraph 11 06 below, Franchisor may terminate this Agreement only upon 30 days' prior written notice to Franchisee setting forth the breach complained of in this Agreement or any other agreement to which both Franchisor or any of its affiliates and either Franchisee or any of its affiliates or Equity Holders are party Upon receipt of such notice, Franchisee shall immediately commence diligently to cure said breach, and if Franchisee shall cure said breach during such period, Franchisor's right to terminate this Agreement shall cease, provided, however, that if, because of the nature of said breach, Franchisee shall be unable to cure the same within said 30 day period, Franchisee shall be given such additional time as shall be reasonably necessary within which to cure said breach, not to exceed an additional 30 days, upon condition that Franchisee shall, upon receipt of such notice from Franchisor, immediately commence to cure such breach and continue to use its best efforts to do so

(e) A material violation of this Agreement shall mean any action or omission by Franchisee that impairs or adversely affects the Network, Franchisor, or the relationship created by this Agreement Without limitation, each of the following events, along with the events set forth in paragraph 11 02 above is deemed a material violation of this Agreement The parties acknowledge, however, that these events do not represent an exhaustive list of material violations of this Agreement, and additional events may occur that individually, or in combination with other events, may constitute a material violation of this Agreement It shall be a material violation of this Agreement

(i) If Franchisee fails to make any of the periodic reports required pursuant to paragraph 9 02 of this Agreement, fails to deposit its Continuing Royalty payments pursuant to subparagraph 5 02(e) of this Agreement, or fails to pay to Franchisor any sum when due,

(ii) If Franchisee shall violate any of the provisions of Article VII of this Agreement,

(iii) If Franchisee shall Abandon one or more of its Locations,

(iv) If Franchisee closes or relocates any Location or Restricted Purpose Location, except as provided by paragraph 4 02 of this Agreement,

(v) If Franchisee fails to maintain an independent contractor relationship with Franchisor,

(vi) If Franchisee or any of its Equity Holders commit an act, or permit an act to be committed, that violates any federal, state or local law, rule or regulation

**11 04 <u>Description of Default</u>**

The description of any default in any notice served by Franchisor hereunder upon Franchisee shall in no way preclude Franchisor from specifying additional or supplemental defaults in any action, arbitration, mediation, hearing or suit relating to this Agreement or the termination thereof

**11 05 Statutory Limitations**

Notwithstanding anything to the contrary in this Article XI, in the event any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto shall limit Franchisor's rights of termination hereunder or shall require longer notice periods than those set forth herein, and in the event the parties are prohibited by law from agreeing to the shorter periods set forth herein, then this Agreement shall be deemed amended to conform to the requirements of such laws and regulations, but in such event the provisions of the Agreement thus affected shall be amended only to the extent necessary to bring it within the requirements of the law or regulation

**11 06 Extended Cure Period**

Notwithstanding anything contained herein to the contrary, including, without limitation, subparagraph 11 03(c) hereof, in those circumstances under which Franchisor shall have the right to terminate this Agreement, except in the case of violations specified in subparagraphs 11 03(a) and (b), Franchisor shall have the right, to be exercised in its sole discretion, to grant to Franchisee, in lieu of immediate termination of this Agreement, an extended period of time to cure the breach that gave rise to Franchisor's right to terminate, but in no event shall such extended cure period exceed six months from the last day of the cure period otherwise applicable to such breach Franchisee acknowledges that Franchisor's election to grant such an extended cure period to Franchisee shall not operate as a waiver of any of Franchisor's rights hereunder

**11 07 Prohibition - Post-Term Non-Compete Restrictions**

Franchisor has imposed no post-term non-compete restrictions Franchisee agrees that, if the Franchise Agreement expires or terminates for any reason, no non-compete clause or similar contractual restriction that Franchisee may have entered into with any employee, officer, director, shareholder, or real estate salesperson of Franchisee shall be binding or enforceable against (1) Franchisor, its parent or any affiliated company of Franchisor, (2) any other franchisee of Franchisor, or (3) any such employee, officer, director, shareholder, or real estate salesperson of Franchisee, who may (i) accept employment or other contractual relationship with Franchisor, its parent or affiliated company, or any franchisee of Franchisor, or (ii) acquire a franchise or any interest in a franchise from Franchisor or any franchisee of Franchisor

## XII COMMUNICATION AND DISPUTE RESOLUTION

Franchisor and Franchisee have entered into a long-term franchise relationship that gives rise to an obligation, subject to and consistent with the terms of this Agreement, to endeavor to make the relationship succeed, in light of the overall best interests of the Network and/or System, as contemplated by this Agreement To that end, Franchisor and Franchisee acknowledge that they need to attempt to resolve disagreements and/or disputes before such disagreements and/or disputes negatively impact the relationship Good faith communications between Franchisor and Franchisee are an important aspect of that obligation The provisions in this Article XII are intended to facilitate such communication and the prompt resolution of any disagreements or disputes between the parties To the extent any element or aspect of this Article XII is found, under applicable law, to be unenforceable in any way, it shall not be deemed void but, if possible, shall be enforced to the fullest lawful extent and all other provisions of this Article XII shall remain in full force and effect

**12 01 Notification of Dispute and Availability of Mediation Procedures**

Any and all disputes, claims and controversies between or among Franchisor and any of its Affiliates, on the one hand, and Franchisee and any of its Affiliates, on the other, arising out of, relating to or referencing this Agreement and any ancillary documents and the negotiation, execution, administration, modification, extension, substitution, formation, enforcement, termination or breach thereof in any way, including, without limitation, any claim sounding in contract or tort arising out of the relationship created by this Agreement, and any claim that this Agreement or any other of its parts is invalid, illegal or otherwise voidable or void ("Dispute(s)"), are subject to the dispute resolution provisions set forth in paragraphs 12 03 and 12 04 of this Agreement, except for the disputes described in paragraph 12 02 of this Agreement and except as otherwise specifically modified by this Article XII

"Affiliates", as used in this Article XII, includes without limitation all shareholders, members, partners, owners, direct and indirect parents, sibling entities and subsidiaries, all affiliates thereof, and all officers, directors, employees, managers and agents of the foregoing, acting in the course of conducting business activities related to Franchisor or Franchisee, as the case may be

**12 02 Disputes Not Subject To Notification of Dispute and Mediation Procedures**

The following Disputes are not subject to the procedures stated in paragraphs 12 03 and 12 04 of this Agreement

(a) Any claim by Franchisor for monies due to Franchisor by Franchisee or any guarantor of this Agreement,

(b) Any disputes relating to (i) Franchisee's use of the Service Marks, or any other mark in which Franchisor or any of its affiliates has an interest, (ii) acts that otherwise violate Franchisee's obligations under Article VII of this Agreement, or (iii) conduct that is alleged to otherwise infringe the intellectual property rights of Franchisor or any of its affiliates,

(c) Any disputes subject to "core proceedings" under the United States Bankruptcy Code,

(d) Any disputes pursuant to the Lanham Act (15 U S C 1051 et seq ),

(e) Any dispute relating to the assignment of interests in violation of Article X of this Agreement,

(f) Any dispute for which Franchisor is entitled to terminate this Agreement without prior notice under the provisions of paragraph 11 02 of this Agreement,

(g) Any dispute in any way relating to the scope, application or enforceability of this Article XII, and

(h) Any dispute, other than those enumerated above, in which any emergency, temporary or preliminary equitable or injunctive relief or other reasonably necessary provisional remedy is sought, including, without limitation, a writ of attachment, but only to the extent of proceedings for such relief, as further provided in paragraph 12 06 hereof

**12 03 Written Notice of Unresolved Disputes -- "Notification of Dispute" Procedure**

Except as provided in paragraph 12 02 above, all Disputes shall be brought to the attention of Franchisor and Franchisee by delivering a written notice headed "Notification of Dispute " Delivery of such notice shall be made within sixty (60) days of the date on which facts respecting the Dispute first come to Franchisor's or Franchisee's attention A notice of default under Article XI of this Agreement may precede the Notification of Dispute and, in such cases, the Notification of Dispute may be sent at such time as it appears that the default has not been satisfactorily corrected The Notification of Dispute shall specify, to the fullest extent possible, the party's version of facts surrounding the Dispute, the amount of damages and/or the nature of any other relief such party claims The party (or parties as the case may be) receiving a Notification of Dispute shall respond within thirty (30) business days after receipt thereof, in accordance with paragraph 14 07 of this Agreement, stating its version of the facts and, if applicable, its position as to the relief sought by the party initiating the Dispute procedure, provided, however, that if the Dispute has been the subject of a default notice given under Article XI hereof, the Franchisee shall respond to the notice under this paragraph 12 03 within ten (10) business days

If upon receipt of a Notification of Dispute and responses under this paragraph 12 03, the Dispute (or any part thereof) is not resolved, the party initiating the Notification of Dispute shall so indicate in writing within five (5) business days or the Dispute shall be deemed to be resolved as set forth in the response to the Notification of Dispute If the Dispute is not resolved, the parties shall endeavor in good faith to resolve the Dispute outlined in the Notification of Dispute and responses

All notices, requests and responses to be delivered to Franchisor or Franchisee under this Article XII shall be delivered in accordance with paragraph 14 07 of this Agreement

**12 04 Mediation of Dispute**

In the event a Dispute outlined in a Notification of Dispute has not been resolved within fifteen (15) days after receipt of the last writing called for by paragraph 12 03 above, either party may initiate a mediation procedure in accordance with this paragraph 12 04 within five (5) days thereafter by delivering a written request for mediation Such mediation will be conducted by Judicial Arbitration and Mediation Services, Inc ("JAMS") according to its procedures The mediator shall be selected by the striking method, shall be a retired judge, or an attorney licensed to practice law in California, and shall have experience in franchise disputes, but if no mutually-acceptable mediator with such experience is available, a mediator shall have experience related to complex commercial transactions If the parties are unable to select the mediator within ten

(10) business days after delivery of the mediation notice, then the parties shall request that JAMS designate an appropriate mediator based upon the foregoing criteria If JAMS is unable to act in the matter expeditiously, mediation shall be conducted under the auspices of any other mediation service mutually agreed to by the parties according to the mediator's procedures The scope of such mediation and the authority of the mediator to act with respect to the Dispute are defined by the specific provisions of this Article XII and any mediator will be required to execute an acknowledgment of applicability of the provisions of this Article XII in any proceeding under this Agreement

The object of any mediation subject to this paragraph 12 04 is to assist the parties in reaching a mutually acceptable resolution of the Dispute Such mediation shall, in all circumstances, be consistent with the rights and obligations created by this Agreement and shall not be premised on the derogation or diminution of those rights or disregard of those rights The mediation process shall begin promptly and shall be concluded within thirty (30) days of the day the request for mediation is made, unless the parties mutually otherwise agree in writing The mediation shall be attended by representatives of both parties with full settlement authority Any and all discussions, negotiations, findings or other statements by the mediator and/or the parties made in connection with the mediation shall be privileged and confidential and shall not be admissible into evidence in any other legal proceeding

All mediation proceedings shall take place in Orange County, California, or if Franchisor so elects, in the county where the principal place of business of Franchisee is then located The expenses of the mediation service shall be borne equally by Franchisor and Franchisee, and all other expenses relating to such mediation shall be borne by the party incurring them

**12 05 <u>Business Judgment</u>**

The parties hereto recognize, and any mediator, arbitrator or court is affirmatively advised, that certain provisions of this Agreement describe the right of Franchisor to take (or refrain from taking) certain actions in the exercise of its business judgment based on its assessment of the overall best interests of the Network and/or System Where such discretion has been exercised, and is supported by the business judgment of Franchisor, neither a mediator nor an arbitrator or court shall substitute his, her or its judgment for the judgment so exercised by Franchisor The term "business judgment," as used herein with respect to the Network and/or System, means that Franchisor's action or inaction has a business basis that is intended to (i) benefit the Network and/or System or the profitability of the Network and/or System, including Franchisor, regardless of whether some individual franchisees may be unfavorably affected, (ii) increase the value of the Service Marks, (iii) increase or enhance overall franchisee satisfaction, or (iv) minimize possible brand inconsistencies Franchisee will have the burden of establishing that Franchisor failed to exercise business judgment, and neither the fact that Franchisor benefited economically from an action nor the existence of other "reasonable" alternatives will, by itself, establish such failure To the extent that any implied covenant, such as the implied covenant of good faith and fair dealing, or civil law duty of good faith is applied to this Agreement, Franchisor and Franchisee intend that Franchisor will not have violated such covenant or duty if Franchisor has exercised business judgment

**12 06 MANDATORY BINDING ARBITRATION**

Except for those Disputes described in paragraph 12 02 (b), (c), (d), (e), (g) and (h) hereof (which shall be resolved in court proceedings in accordance with paragraph 12 07 hereof), a Dispute is not subject to paragraphs 12 03 and 12 04 hereof or if after the conclusion of all procedures required under those paragraphs, the parties have been unable to resolve the Dispute, the parties shall submit such Dispute to final and binding arbitration in Orange County, California, administered by JAMS, or its successor, in accordance (except as otherwise specifically provided herein) with the JAMS Comprehensive Rules and Procedures effective October 1, 2010 (the "JAMS Rules") as amended in accordance with JAMS Rule 3, provided that, (i) the JAMS Rules may be modified by the parties pursuant to JAMS Rule 2, (ii) notwithstanding JAMS Rule 1, the JAMS Rules shall apply to all Disputes, regardless whether the Dispute is in excess of Two Hundred and Fifty Thousand Dollars ($250,000), (ii) JAMS Rule 6(e) and (f) shall not apply, (iii) JAMS Rule 17 shall be modified to permit four non-expert depositions and one expert deposition for each expert witness as a matter of right (the necessity of additional depositions to be determined by the arbitrator), (iv) JAMS Rule 22(d) shall not apply and the admissibility of evidence will instead be determined under the Federal Rules of Evidence and such principles of substantive federal law and Delaware law as may be applicable, including but not limited to the Parol Evidence Rule, (v) the arbitrator shall give effect to statutes of limitation and to the contractual limitation periods set forth in paragraph 12 08 hereof in determining any Dispute, and (vi) the allocation of arbitrator compensation and expenses shall be determined in accordance with paragraph 13 05 hereof The parties agree that any and all Disputes that are submitted to arbitration in accordance with this Agreement shall be governed by the Federal Arbitration Act (Title 9 of the U S Code) and decided by one (1) neutral arbitrator who is a retired judge or attorney licensed to practice law in California, and who has experience with franchise disputes and/or disputes related to complex commercial transactions The parties shall select the arbitrator in accordance with JAMS Rule 15 and shall cooperate with JAMS and with one another in selecting the arbitrator and in scheduling the arbitration proceedings in accordance with applicable JAMS' procedures

Any party may commence the arbitration process called for in this Agreement by filing a written demand for arbitration with JAMS, with a copy to the other party Any award issued as a result of such arbitration shall be final and binding between the parties thereto and shall be enforceable by any court having jurisdiction over the party against whom enforcement is sought No arbitration award or decision shall be given preclusive effect as to issues or claims in any dispute with anyone who is not a party to the arbitration The parties expressly acknowledge and understand that by entering into this Agreement, they each are waiving their respective rights to have any Dispute between the parties hereto adjudicated by a court (excepting only requests for emergency, temporary or preliminary relief described below in this paragraph 12 06) or by a jury

Any Dispute that involves decisions expressly reserved herein for Franchisor's business judgment or discretion shall not be set aside unless the Court or arbitrator finds that Franchisor failed to exercise its business judgment or discretion as provided in paragraph 12 05 hereof

All Disputes that involve adjudication in a court shall be governed by the provisions of paragraphs 12 07 and 12 08 of this Agreement In addition to the foregoing rights and obligations to arbitrate, and without limiting the powers and authority of the arbitrator, any party may apply to the appropriate court as set forth in paragraph 12 07 hereof for emergency, temporary or preliminary equitable or injunctive relief or other reasonably necessary provisional remedy, including, without limitation, a writ of attachment, but only to the extent of proceedings for such relief If a party seeks such emergency, temporary or preliminary relief, the court hearing the matter shall proceed to adjudicate the issues before it with respect to such relief and shall not delay the entry of any order with respect to such relief, provided, however, that except for matters determined in connection with proceedings for emergency, temporary or preliminary relief, the dispute resolution and arbitration procedures set forth herein shall be used

**12 07 <u>VENUE, SUBMISSION OF ISSUES TO COURT, WAIVER OF RIGHT TO TRIAL BY JURY, LIMITATION OF DAMAGES, CLASS ACTION WAIVER</u>**

The parties acknowledge that Franchisor operates a nationwide franchise system, with franchisees located in numerous different states and in numerous counties and cities within such states Accordingly, the parties hereby agree that in view of the fact that the books, records and business personnel of Franchisor are located, for the most part, in Orange County, California, and in order to minimize disruption or interference with operation of the franchise system as a whole, Franchisee and Franchisor agree as follows

(a) Any and all court proceedings arising from or relating in any manner to any Dispute between Franchisor and any of its affiliates, on the one hand, and Franchisee and any of its affiliates, on the other, shall be brought in, and only in, the United States District Court for the Central District of California (Southern Division--Santa Ana) No individual or entity (whether named or otherwise designated) shall be joined as a party to such proceedings if such joinder has the effect of destroying federal court jurisdiction unless that individual or entity is a necessary party to the proceeding as a matter of law Where there is no United States District Court having jurisdiction over the Dispute, the proceeding may be initiated in, and only in, the Superior Court of California in and for Orange County, California In either case, Franchisee hereby consents to the exercise of jurisdiction by such courts

(b) No punitive or exemplary damages shall be awarded against either Franchisor or Franchisee, or any affiliates of either of them, in any arbitration, litigation or other proceeding, and all claims to such damages are hereby waived

(c) THE PARTIES HERETO KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE THEIR PRESENT OR FUTURE RIGHTS TO A JURY TRIAL IN ANY ACTION TO RESOLVE ANY DISPUTE PURSUANT TO THIS ARTICLE XII AND TO CONSOLIDATE OR TRANSFER ANY ACTION WITH OR TO ANOTHER ACTION WHERE EITHER PARTY MIGHT OTHERWISE BE ENTITLED TO A JURY TRIAL, NOTWITHSTANDING ANY STATE OR FEDERAL CONSTITUTIONAL OR STATUTORY RIGHTS OR PROVISIONS

BY THEIR INITIALS BELOW, FRANCHISOR AND FRANCHISEE ACKNOWLEDGE AND REPRESENT THAT THEY HAVE KNOWINGLY AND VOLUNTARILY WAIVED THEIR RIGHT TO TRIAL BY JURY AND HAVE FURTHER AGREED TO BINDING ARBITRATION OF CERTAIN DISPUTES AS PROVIDED HEREIN

FRANCHISOR FRANCHISEE

(d) **THE PARTIES RECOGNIZE THAT THEIR RELATIONSHIP IS UNIQUE AND THAT EACH FRANCHISEE IS SITUATED DIFFERENTLY FROM ALL OTHER FRANCHISEES, AND THAT NO ONE FRANCHISEE CAN ADEQUATELY REPRESENT THE INTEREST OF OTHERS THEREFORE, THE PARTIES AGREE THAT ANY MEDIATION, ARBITRATION, SUIT, ACTION OR OTHER LEGAL PROCEEDING SHALL BE CONDUCTED AND RESOLVED ON AN INDIVIDUAL BASIS ONLY AND NOT ON A CLASS-WIDE, MULTIPLE PLAINTIFF, CONSOLIDATED OR SIMILAR BASIS, AND FRANCHISEE HEREBY EXPLICITLY AND UNEQUIVOCALLY WAIVES IT'S RIGHT, IF ANY, TO JOIN A PLAINTIFF CLASS ACTION LAWSUIT** IN ANY DISPUTE **AGAINST FRANCHISOR OR TO ACT IN ANY ARBITRATION OR OTHERWISE IN THE INTEREST OF THE PUBLIC OR IN ANY PRIVATE ATTORNEY GENERAL CAPACITY**

**12 08 <u>Limitation of Actions</u>**

Franchisor and Franchisee agree that no form of action or proceeding permitted hereby will be maintained by any party to enforce any liability or obligation of the other party, whether arising from this Agreement or otherwise, unless any Notification of Dispute required to be delivered under this Agreement has been delivered in accordance with paragraph 12 03 hereof and unless the proceeding is brought before the expiration of the earlier of (a) one (1) year after the date of discovery of the facts resulting in such alleged liability or obligation or (b) two (2) years after the date of the first act or omission giving rise to such alleged liability or obligation The foregoing limitations periods shall not apply (i) to any claim by Franchisor for monies due to Franchisor by Franchisee, including, but not limited to, those liabilities or obligations discovered as a result of an examination conducted by Franchisor pursuant to subparagraph 9 10(a), or (ii) any disputes relating to (1) Franchisee's use of the Service Marks, or any other mark in which Franchisor or any of its affiliates has an interest, (2) acts that otherwise violate Franchisee's obligations under Article VII of this Agreement, or (3) conduct that is alleged to otherwise infringe the intellectual property rights of Franchisor or any of its affiliates Notwithstanding the foregoing, where state or federal law mandates or makes possible by notice or otherwise a shorter period, such shorter period shall apply in all cases, in lieu of the time specified in (a) or (b) above

## XIII FURTHER OBLIGATIONS AND RIGHTS OF THE PARTIES UPON TERMINATION OR EXPIRATION

**13 01 <u>Franchisee's Obligations</u>**

(a) Except as otherwise set forth in paragraph 10 01 with respect to assignment by Franchisor of any or all of its interest in this Agreement, in the event of termination or expiration of this Agreement whether by reason of Franchisee's breach, default, non-renewal, lapse of time, or other cause, in addition to any other obligations provided for in this Agreement, Franchisee shall forthwith discontinue the use and/or display of the Service Marks in any manner whatsoever and all Materials containing or bearing same and shall not thereafter operate or do business under the Assumed Name or any other name or in any manner that might tend to give the general public the impression that Franchisee is in any way associated or affiliated with Franchisor, or any of the businesses conducted by it or other owners of the Service Marks In such event, Franchisee also shall comply with paragraph 13 02 respecting the return to Franchisor of certain Materials and shall not thereafter use, in any manner, or for any purpose, directly or indirectly, any of Franchisor's trade secrets, procedures, techniques, or Materials acquired by Franchisee by virtue of the relationship established by this Agreement, including, without limitation, (i) any training or other materials, manuals, bulletins, instruction sheets, or supplements thereto, or (ii) any equipment, videotapes, video disks, forms, advertising matter, marks, devices, insignias, slogans or designs used from time to time in connection with the Franchised Business At such time as requested by Franchisor, Franchisee shall make its books and records available to Franchisor's representatives who shall conduct a termination examination, and Franchisee shall pay any amount, as determined by such examination, due to Franchisor in connection with this Agreement

(b) In the event of termination or expiration as described in paragraph 13 01(a) above, Franchisee shall promptly

(i) remove at Franchisee's expense all signs erected or used by Franchisee and bearing the Service Marks, or any word or mark indicating that Franchisee is associated or affiliated with Franchisor,

(ii) erase or obliterate from letterheads, stationery, printed matter, advertising or other forms used by Franchisee the Service Marks and all words indicating that Franchisee is associated or affiliated with Franchisor,

(iii) permanently discontinue all advertising of Franchisee to the effect that Franchisee is associated or affiliated with Franchisor,

(iv) refrain from doing anything that would indicate that Franchisee is or ever was an authorized Franchisee including, without limitation, indicating, directly or indirectly, that Franchisee was licensed to use the Service Marks or any other distinctive System features or that Franchisee at any time operated under any name, word or mark associated or affiliated with Franchisor,

(v) in the event that Franchisee engages in any business thereafter, it shall use trade names, service marks or trademarks (if any) that are significantly different from those under which Franchisee had done business and shall use sign formats (if any) that are significantly different in color and type face, and take all necessary steps to ensure that its present and former employees, agents, officers, shareholders and partners observe the foregoing obligations,

(vi) in the event such termination is a result of a material default by Franchisee, then Franchisee shall take all action necessary to disconnect and change all telephone numbers and directory listings used by the Franchised Business immediately without providing for any forwarding numbers, or, at Franchisor's option, shall assign all interest and right to use all such telephone numbers and directory listings to Franchisor,

(vii) if this Agreement has expired in accordance with its terms as set forth in subparagraph 17 02(e), then Franchisee may retain its interest and right to use all telephone numbers and yellow page and white page listings However, if the Agreement has terminated or expired for any other reason, the Franchisee shall assign all interest and right to use all telephone numbers and all yellow page and white page listings applicable to the Franchised Business in use at the time of such termination or expiration to Franchisor and take all action necessary to change all such telephone numbers immediately and change all such yellow page and white page listings as soon as possible, and

(viii) assign all Internet and web site addresses, e-mail addresses and domain names using the Service Marks to Franchisor and use best efforts to identify any individual Internet, web site addresses, e-mail addresses and domain names using the Service Marks that may have been created by employees or sales agents in violation of this Agreement and cause those employees or agents to assign the addresses or names to Franchisor Franchisee shall instruct its Internet service provider to purge from its servers all domain name server information associated with such Internet and web site addresses, e-mail addresses and domain names being assigned or transferred

(c) If Franchisee shall fail or omit to make or cause to be made any removal or change described in subparagraph 13 01(b) above, then Franchisor shall have the right within 15 days after written notice to enter upon Franchisee's premises upon which the Franchised Business is being conducted without being deemed guilty of trespass or any other tort, and make or cause to be made such removal and changes at the expense of Franchisee, which expense Franchisee agrees to pay to Franchisor promptly upon demand, and Franchisee hereby irrevocably appoints Franchisor as its lawful attorney upon termination of this Agreement with authority to file any document in the name of and on behalf of Franchisee for the purpose of terminating any and all of Franchisee's rights in the Assumed Name and any of the Service Marks

(d) In the event that a Location or Restricted Purpose Location is Abandoned or otherwise closed for a period of seven consecutive days with or without Franchisor's prior written consent, Franchisee shall promptly take action to remove any indication that such Location or Restricted Purpose Location is associated or affiliated with either Franchisee or Franchisor, and remove at Franchisee's expense all signs erected or used by Franchisee on, in or in connection with such Location or Restricted Purpose Location and bearing either the Service Marks or any word or mark indicating that such Location or Restricted Purpose Location is associated or affiliated with either Franchisee or Franchisor, except as otherwise required by law

**13 02 <u>Rights of Franchisor</u>**

The expiration or termination of this Agreement shall be without prejudice to any rights of Franchisor against Franchisee and such expiration or termination shall not relieve Franchisee of any of its obligations to Franchisor existing at the time of expiration or termination or terminate those obligations of Franchisee that, by their nature, survive the expiration or termination of this Agreement Franchisee is obligated to return, at no expense to the Franchisor, any and all copies of the Operations Manual, computer equipment, video equipment, videotapes, videodisks, software, software manuals and documentation, and any other communications media and Material provided for Franchisee's use without additional charge in connection with the operation of the Franchised Business

**13 03 Franchisor's Right to Cure Defaults by Franchisee**

In addition to all other remedies herein granted, if Franchisee shall default in the performance of any of its obligations or breach any term or condition of this Agreement or any related agreement involving third parties, Franchisor may, at its election, immediately or at any time thereafter, without waiving any claim for breach hereunder and without notice to Franchisee, cure such default for the account of and on behalf of Franchisee, and all costs or expenses including attorneys' fees incurred by Franchisor on account thereof shall be due and payable by Franchisee to Franchisor on demand

**13 04 Waiver and Delay**

No waiver by Franchisor of any breach or series of breaches or defaults in performance by Franchisee and no failure, refusal or neglect of Franchisor either to exercise any right, power or option given to it hereunder or to insist upon strict compliance with or performance of Franchisee's obligations under this Agreement or the Operations Manual, shall constitute a waiver of the provisions of this Agreement or the Operations Manual with respect to any subsequent breach thereof or a waiver by Franchisor of its right at any time thereafter to require exact and strict compliance with the provisions thereof

**13 05 Attorneys' Fees and Expenses**

In any action or proceeding between the Franchisor and Franchisee for the purpose of enforcing or preventing any breach of any provision of this Agreement, whether by judicial or quasi-judicial action, arbitration or otherwise or any appeal thereof, each party shall bear its own costs including but not limited to its own attorneys' fees, except for those actions or proceedings, whether quasi-judicial action, arbitration or otherwise or any appeal thereof, brought for collection of moneys due, enforcement of indemnifications and/or with regard to the use or protection of the Service Mark, which proceedings or actions, whether by judicial or quasi-judicial action, arbitration or otherwise or any appeal thereof, the prevailing party shall be entitled to collect its fees and expenses including but not limited to attorneys' fees and arbitrator's fees from the other party

## XIV GENERAL CONDITIONS AND PROVISIONS

**14 01 Relationship of Franchisee to Franchisor**

It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of franchisor and franchisee It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever Neither Franchisor nor Franchisee is the employer, employee, agent, director, officer, member, manager, partner, fiduciary or co-venturer of or with the other, each being independent Franchisee agrees that it will not hold itself out as the agent, employee, director, officer, member, manager, partner or co-venturer of Franchisor or the owner of the Service Marks All employees or agents hired or engaged by or working for Franchisee shall be only the employees or agents of Franchisee and shall not for any purpose be deemed employees or agents of Franchisor or the owner of the Service Marks, nor subject to Franchisor's control, and in particular, Franchisor shall have no authority to exercise control over the hiring or termination of such employees, officers, managers, independent contractors, or others who work for Franchisee, their compensation, working hours or conditions, or the day-to-day activities of such persons, except to the extent necessary to protect the Service Marks Franchisee agrees to respond to customer indications of dissatisfaction with services rendered by Franchisee in a diligent and professional manner and agrees to cooperate with representatives of Franchisor or the owner of the Service Marks in any investigation undertaken by Franchisor of complaints respecting Franchisee's activities Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees or agents and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof

**14 02 <u>Indemnity</u>**

Except as otherwise expressly provided in paragraph 7 07 hereof, Franchisee hereby agrees to protect, defend and indemnify Franchisor, its direct or indirect parents, their subsidiaries, affiliates, officers, directors, employees and designees and hold them harmless from and against any and all costs and expenses actually incurred by them or for which they are liable, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature, and including those incurred pursuant to a settlement entered into in good faith, arising out of or in connection with the Franchised Business, including specifically without limitation any claim or controversy arising out of (a) any Transfer by Franchisee referred to in paragraph 10 02 hereof, (b) acts or omissions of Franchisee that are not in strict compliance with this Agreement and the Operations Manual in respect of use or display of the Service Marks, or (c) acts or omissions of Franchisee that tend to create an impression that the relationship between the parties hereto is other than one of Franchisor and Franchisee Notwithstanding the foregoing, (x) Franchisee shall have no obligation to protect, defend or indemnify Franchisor, its direct or indirect parents, their subsidiaries, affiliates or designees from and against any such costs or expenses arising from the conduct of Franchisor found to be willful, malicious or grossly negligent, and (y) in any proceeding in which Franchisor has been found to have been actively negligent (as opposed to passively negligent or vicariously liable), Franchisor and Franchisee shall each bear all of such costs and expenses (i) in proportion to their share of responsibility in any finding of comparative negligence made in such proceeding or (ii) if no such finding has been made, as shall be determined in a communication and dispute resolution proceeding pursuant to Article XII hereof, based on application of comparative negligence standards

**14 03 <u>Survival of Covenants</u>**

The covenants contained in this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever

**14 04 Successors and Assigns**

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Franchisor and shall be binding upon and inure to the benefit of the Franchisee and its or their respective heirs, executors, administrators, successors and assigns, subject to the restrictions on Assignment by Franchisee contained herein

**14 05 Joint and Several Liability**

If Franchisee consists of more than one person or entity, or a combination thereof, the obligation and liabilities to Franchisor of each such person or entity are joint and several

**14 06 Counterparts**

This Agreement may be executed in any number of copies, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument Delivery of executed signature pages by facsimile transmission or by PDF (Adobe Portable Document Format or equivalent) electronic image shall be effective and binding

**14 07 Notices**

All notices that the parties hereto may be required or may desire to give under or in connection with this Agreement shall be in writing and shall be sent either by United States certified mail, return receipt requested, postage prepaid, or by other reliable overnight delivery service, expenses prepaid, addressed as follows

If to Franchisor

Real Living Real Estate, LLC
18500 Von Karman Avenue, Suite 400
Irvine, California 92612
Attention Law Department

If to Franchisee to the attention of the Responsible Agent and/or Broker at the address indicated in paragraph 17 02(c) hereof unless another or an additional receiving person and/or address is desired by Franchisee, in which event the different receiving person and/or address will be attached hereto as an exhibit

The addresses herein given for notices may be changed at any time by either party by written notice given to the other party as herein provided Notices shall be deemed given three business days after deposit in the United States certified mail or on the next business day after delivery to such reliable overnight delivery service as aforesaid

Although not effective for purposes of giving notice pursuant to this paragraph 14 07, Franchisor and Franchisee each consents to the other forwarding facsimile and electronic mail transmissions to each other, in the case of Franchisor, to the Contact Person designated by Franchisee pursuant to paragraph 9 08 or anyone else designated by Franchisee in writing to Franchisor

**14 08 CPI Adjustment**

The following amounts may be adjusted by Franchisor periodically

- The Thresholds in subparagraphs 5 02(a) and (b) hereof,
- The transfer and processing fees set forth in paragraph 10 02 hereof,

Any other amounts as required by any other provision that by its terms calls for adjustments corresponding to the Consumer Price Index

The foregoing amounts may be increased by the cumulative annual average percentage increase in the Consumer Price Index from December 31, 2012 through the date of adjustment, provided that the cumulative annual average percentage increase from December 31, 2012 through the date of adjustment shall not exceed the cumulative increase in the Consumer Price Index from December 31, 2012 through the date of adjustment

## XV CONSTRUCTION OF AGREEMENT

**15 01 Governing Law**

This Agreement and the totality of the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the State of Delaware, subject to the Lanham Act (15 U S C 1051 et seq ) and except as otherwise required by federal law, except that statutes or regulations of that state pertaining to the franchise relationship, termination or renewal thereof, or disclosure with regard thereto, shall apply only to those agreements contemplating operation of a Franchised Business within that state or to a franchisee which, as of the Effective Date, is domiciled in that state

**15 02 Entire Agreement, Modification**

This Agreement contains all of the terms and conditions agreed upon by the parties hereto with reference to the subject matter hereof No other promises or agreements oral or otherwise shall be deemed to exist or to bind any of the parties hereto and all prior agreements and understandings are superseded hereby Nothing in the Agreement is intended to disclaim Franchisor's representations set forth in its franchise disclosure document No officer or employee or agent of Franchisor has any authority to make any representation or promise not contained in this Agreement Franchisee agrees that it has executed this Agreement without reliance upon any such unauthorized representation or promise This Agreement cannot be modified or changed except by (a) written instrument signed by all of the parties hereto, or (b) Franchisor's reduction of the scope of any of Franchisee's obligations under this Agreement, which may be done without Franchisee's consent and which is effective immediately upon notice The ability of Franchisor to reduce the scope of any of Franchisee's obligations under this Agreement shall not be interpreted as according Franchisor any right correspondingly to reduce the scope of any of its obligations under this Agreement, unless otherwise specifically empowered to do so hereunder

### 15 03 <u>Titles of Convenience</u>

Paragraph titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement

### 15 04 <u>Gender</u>

All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any paragraph may require

### 15 05 <u>Severability</u>

Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law  Whenever there is any conflict between any provisions of this Agreement or the Operations Manual and any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this Agreement, the latter shall prevail, but in such event the provision of this Agreement or the Operations Manual thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law  In the event that any part, Article, paragraph, sentence or clause of this Agreement or the Operations Manual shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining parts thereof shall continue in full force and effect, unless said provision pertains to the payment of fees pursuant to Article V hereof, in which case this Agreement shall terminate

### 15 06 <u>No Third Party Beneficiaries</u>

This Agreement is not intended to benefit any other person or entity except the named parties hereto and no other person or entity shall be entitled to any rights hereunder by virtue of so-called "third party beneficiary rights" or otherwise

## XVI SUBMISSION OF AGREEMENT

The submission of this Agreement to Franchisee does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Franchisor and Franchisee THIS AGREEMENT SHALL NOT BE BINDING ON FRANCHISOR UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY THE PRESIDENT OR OTHER EXECUTIVE OFFICER OF FRANCHISOR  THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS FRANCHISEE SHALL HAVE BEEN FURNISHED BY FRANCHISOR WITH ANY DISCLOSURE, IN WRITTEN FORM, AS MAY BE REQUIRED UNDER OR PURSUANT TO APPLICABLE LAW

## XVII ACKNOWLEDGEMENTS AND REPRESENTATIONS OF FRANCHISEE

### 17 01 Certain Acknowledgements and Representations of Franchisee

Franchisee represents and warrants that the following statements are true and accurate

(a) Franchisee is a duly licensed real estate broker under the laws of the state within which the Locations are situated and is in compliance with all applicable laws, rules and regulations of cognizant authorities Additionally, if Franchisee is a partnership, corporation or a limited liability company, the Responsible Agent and/or Broker identified in paragraph 17 02(c) below is a duly licensed real estate broker under the laws of the state within which the Locations are located and is in compliance with all applicable laws, rules and regulations of cognizant authorities

(b) Franchisee does not seek to obtain the Franchise for speculative or investment purposes and has no present intention to sell or transfer or attempt to sell or transfer the Franchised Business and/or the Franchise

(c) Franchisee understands and acknowledges the value to the System of uniform and ethical standards of quality, appearance and service described in and required by the Operations Manual and the necessity of operating the Franchised Business under the standards set forth in the Operations Manual Franchisee represents that it has the capabilities, professionally, financially and otherwise, to comply with the standards of Franchisor

(d) If Franchisee is a corporation or limited liability company, Franchisee is duly incorporated or formed and is qualified to do business in the state and any other applicable jurisdiction within which the Locations are located

(e) The execution of this Agreement by Franchisee will not constitute or violate any other agreement or commitment to which Franchisee is a party

(f) Any individual executing this Agreement on behalf of Franchisee is duly authorized to do so and the Agreement shall constitute a valid and binding obligation of the Franchisee and, if applicable, all of its partners, if Franchisee is a partnership

(g) Franchisee has, or if a partnership, corporation or other entity, its partners, managers, members, executive officers or its other principals have, carefully read this Agreement and all other related documents to be executed by it concurrently or in conjunction with the execution hereof, that it has obtained, or had the opportunity to obtain, the advice of counsel in connection with the execution and delivery of this Agreement, that it understands the nature of this Agreement, and that it intends to comply herewith and be bound thereby

(h) This Agreement has been developed from the experiences of Franchisor, Franchisor's affiliates and the Network, including Franchisor's current and former employees, agents and franchisees, who collectively possess substantial experience in the business of franchised residential real estate brokerage The formation of this Agreement and the disclosures made in connection with the franchise relationship set forth herein have been governed in part by the franchise relations acts, the franchise investment laws, the franchise disclosure laws and the regulations promulgated thereunder in the states in which Franchisor and the Network do business Such laws, regulations and disclosure requirements have been implemented for the protection and benefit of franchisees and prospective franchisees Franchisee acknowledges that it has been advised to obtain legal advice and counsel to evaluate the opportunity of becoming a franchisee of Franchisor and the benefits and duties of this Agreement Franchisee acknowledges that it has chosen to enter into this Agreement solely based upon independent judgment as to its needs at a time when other prominent residential real estate franchise opportunities were available

(i) Neither Franchisor nor any of its representatives has made any of the following representations

(i) that Franchisor guarantees, conditionally or unconditionally, or make a written or oral representation (a) that would cause a reasonable person in Franchisee's position to believe that income is assured, (b) that Franchisee will derive income from the franchised business, (c) that Franchisee's investment is protected from loss or (d) that Franchisee can earn a profit in excess of its initial payment,

(ii) that Franchisor will refund all or part of the fees paid by Franchisee (including, without limitation, a representation that Franchisor will refund Franchisee's initial payment or return any promissory note upon termination or non-renewal of the franchised business) or repurchase any of the products, equipment, supplies, goods or chattels supplied by Franchisor or its affiliate to Franchisee,

(iii) that Franchisee will be provided with retail outlets or accounts, or assistance in establishing retail outlets or accounts, for the sale or distribution of goods or services, or

(iv) that there is a market for the goods or services to be offered, sold or distributed by Franchisee

(j) Franchisee acknowledges that Franchisor is relying on the representations and warranties set forth above in deciding to grant a franchise to Franchisee

**17 02 Additional Information Respecting Franchisee**

(a) Franchisee represents that attached hereto as Exhibit C is a schedule containing complete information respecting the owners, members, managers, partners, shareholders, officers and directors, as the case may be, of Franchisee

(b) The address (written notice of any change in this information after the Effective Date must be delivered to Franchisor pursuant to paragraph 14 07 hereof) where Franchisee's financial and other records are maintained is

________________________________________
________________________________________
________________________________________

(c) The name and business address (written notice of any change in this information after the Effective Date must be delivered to Franchisor pursuant to paragraph 14 07 hereof) of Franchisee's "Responsible Agent or Broker" is

________________________________________
________________________________________
________________________________________

(d) Franchisee represents that Franchisee has delivered to Franchisor complete and accurate copies of all organizational documents relating to Franchisee, including without limitation all partnership agreements, certificates of partnership, Articles or certificates of incorporation or other organization, by-laws and shareholder or member agreements, including all amendments, side letters and other items modifying such documents

(e) The term (as described in paragraph 6 01 hereof) of this Agreement expires on ________________

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed

FRANCHISOR

REAL LIVING REAL ESTATE, LLC
a Delaware limited liability company

By HSF AFFILIATES LLC, its sole member
a Delaware limited liability company

By ______________________________

Its ______________________________

FRANCHISEE

By ______________________________
Its ______________________________

By ______________________________
Its ______________________________

## NONDISCLOSURE, NONCOMPETITION AND NONTRANSFER COVENANT AND PERSONAL GUARANTEE

(To be executed, if Franchisee is not an individual, by all persons, their spouses, and entities who have more than a ten percent equity interest in the Franchisee)

In consideration of the execution by Franchisor of this Franchise Agreement, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned, being all of the persons and legal entities having more than a ten percent equity interest in Franchisee, do hereby agree, individually and jointly, to comply with and be bound by subparagraph 9 10(a) and all provisions of this Franchise Agreement in any way related to nondisclosure, noncompetition and nontransfer to the same extent as if each of them were the Franchisee, including but not limited to paragraphs 3 04, 7 01, 7 03, 9 05, 9 13, 13 01 and all of Article X, and hereby agree not to engage in any activities not permitted to the Franchisee thereunder (whether on their own behalf or in any capacity on behalf of any entity)

The undersigned hereby unconditionally and irrevocably guarantee the full performance of each and all of the terms, covenants and conditions of said Franchise Agreement to be kept and performed by Franchisee, including, but not limited to, the payment of all sums due thereunder

The undersigned do hereby further agree that this covenant and agreement on their part shall continue in favor of Franchisor notwithstanding any extensions, modifications, renewals, or alterations of the Franchise Agreement entered into by and between the parties thereto, or their successors or assigns, or notwithstanding any assignment of said Franchise Agreement, and no extension, modification, alteration or assignment of the Franchise Agreement shall in any manner release or discharge the undersigned, and they hereby consent thereto

The undersigned do hereby waive notice of any demand by Franchisor, as well as notice of nonpayment, nonperformance or default, excepting such notices as may be specifically provided for in the Franchise Agreement

Franchisor may assign this Nondisclosure, Noncompetition and Nontransfer Covenant and Personal Guarantee in whole or in part The undersigned expressly waive the provisions of Section 2845 of the Civil Code of California All of the obligations of the undersigned under this Nondisclosure, Noncompetition and Nontransfer Covenant and Personal Guarantee are independent of the obligations of Franchisee under the Franchise Agreement, and a separate action may be brought against the undersigned whether or not an action is brought against Franchisee under the Franchise Agreement

The parties agree that any controversy or claim arising out of this Nondisclosure, Noncompetition and Nontransfer Covenant and Personal Guarantee, or any breach thereof, shall be adjudicated in accordance with Article XII of the Franchise Agreement which includes, among other provisions, a waiver of the right to trial by jury

This Nondisclosure, Noncompetition and Nontransfer Covenant and Personal Guarantee (i) shall be executed by all persons, their spouses, and other legal entities who now have and who shall from time to time have more than a 10 percent equity interest in Franchisee, and the execution hereof by all such persons and legal entities shall be the responsibility of the undersigned, (ii) shall be governed in accordance with the laws of the same state whose laws govern this Franchise Agreement, and (iii) shall be binding upon and inure to the benefit of the respective successors and assigns of the parties herein named

| | |
|---|---|
| _______________ (Signature) | _______________ (Signature) |
| Name _______________ | Name _______________ |
| Residence Address _______________ _______________ | Residence Address _______________ _______________ |
| Residence Telephone Number _______________ | Residence Telephone Number _______________ |
| _______________ (Signature) | _______________ (Signature) |
| Name _______________ | Name _______________ |
| Residence Address _______________ _______________ | Residence Address _______________ _______________ |
| Residence Telephone Number _______________ | Residence Telephone Number _______________ |

**List of Exhibits and Schedules to Franchise Agreement**

Exhibit A – Approved Broker Management Systems

Exhibit B – Original Locations and Other Offices

Exhibit C – Schedule of Names and Addresses of Sole Proprietor or Shareholders, Partners, Principal Officers, and if a Limited Liability Company, Members and Managers, as Applicable and Other Information

Schedule 1 – Continuing Royalty

**Exhibit A**

APPROVED BROKER MANAGEMENT SYSTEMS

| BMS | Vendor Name & Address | Relationship Contact, Title, Phone & Email |
|---|---|---|
| Lone Wolf Software<br>A Division of Lone Wolf Real Estate Technologies, Inc | Lone Wolf Real Estate Technologies, Inc<br>1425 Bishop Street, Unit #3<br>Cambridge, Ontario N1R 6J9 | Sales<br>sales@lwolf com<br>(866) 279-9653<br>www lonewolf com |
| REALedger* | Emphasis Software<br>9675 NW 117 Avenue, Suite 120<br>Miami, FL 33178 | Andrew Seminari<br>(888) 661-1002 Ext 6636<br>aseminari@emphasys-software com |
| Back Office** | Emphasis Software<br>9675 NW 117 Avenue, Suite 120<br>Miami, FL 33178 | Andrew Seminari<br>(888) 661-1002 Ext 6636<br>aseminari@emphasys-software com |
| Direct Data Entry<br>(Real Living Center Transaction Reporting) | Affiliate Assistance Hotline<br>(855)422-9052 | Not suggested for more than 20 transactions per month<br>Management reports not available |
| Guru NETworks | Guru NETworks, Inc<br>4100 Lafayette Center Drive<br>Suite 103<br>Chantilly, VA 20151 | Ike Broaddus<br>(800) 487-8638<br>sales@gurunet net<br>www gurunet net |
| REAL/Easy | Executive Systems Inc<br>5859 South 108th Street<br>Hales Corner, WI 53130 | Stan Chmielewski<br>(800) 732-5327<br>stan@execsys com<br>www realeasy com |

*Databridge Compatible  Electronic Transaction Reporting Available Soon

**Not Currently Databridge Compatible

**EXHIBIT B**

ORIGINAL LOCATIONS AND OTHER OFFICES

The followıng are the Franchısee's Orıgınal Locatıons ıncludıng the addresses and telephone numbers for each

____________________________________________
____________________________________________
____________________________________________
Telephone ( ) ________________________
Fax ( ) ________________________

____________________________________________
____________________________________________
____________________________________________
Telephone ( ) ________________________
Fax ( ) ________________________

____________________________________________
____________________________________________
____________________________________________
Telephone ( ) ________________________
Fax ( ) ________________________

____________________________________________
____________________________________________
____________________________________________
Telephone ( ) ________________________
Fax ( ) ________________________

## EXHIBIT C

NAMES AND ADDRESSES OF SOLE PROPRIETOR OR SHAREHOLDERS,
PARTNERS, PRINCIPAL OFFICERS,
AND IF A LIMITED LIABILITY COMPANY, MEMBERS AND MANAGERS, AS APPLICABLE,
AND OTHER INFORMATION

Legal Name of Entity

d/b/a

Address

---

1 If Franchisee is a sole proprietorship, list below the name and residence address of the sole owner

________________________________

________________________________

________________________________

________________________________

2 If Franchisee is a partnership, list below the names, residence addresses and respective percentage ownership interests in the partnership of each partner (and whether any partner is a managing partner) and submit a copy of the partnership agreement, if any, to Real Living Real Estate, LLC (if more space is required, attach additional sheets hereto)

| | | | | | |
|---|---|---|---|---|---|
| | a | ________________ | b | ________________ | |
| | | ________________ | | ________________ | |
| | | ________________ | | ________________ | |
| _____% | | ________________ | | ________________ | _____% |
| | c | ________________ | d | ________________ | |
| | | ________________ | | ________________ | |
| | | ________________ | | ________________ | |
| _____% | | ________________ | | ________________ | _____% |

Legal Name of Entity

d/b/a

Address

---

3 If Franchisee is a corporation, list below the names, residence addresses and percentage ownership of each shareholder (if more space is required, attach additional sheets hereto)

a ____________________ b ____________________

____________________ ____________________

____________________ ____________________

______ % ____________________ ____________________ ______ %

c ____________________ d ____________________

____________________ ____________________

____________________ ____________________

______ % ____________________ ____________________ ______ %

4 If Franchisee is a corporation, list below the names and residence addresses of each director of the corporation, if not previously provided herein (if more space is required, attach additional sheets hereto)

a ____________________ b ____________________

____________________ ____________________

____________________ ____________________

____________________ ____________________

c ____________________ d ____________________

____________________ ____________________

____________________ ____________________

____________________ ____________________

EXHIBIT C P 3

Legal Name of Entity

d/b/a

Address

5 If Franchisee is a corporation, list below the names and residence addresses of each applicable executive officer (if necessary, list other corporate executive officers on additional sheets attached hereto)

a President

b Secretary

c Vice President

d Treasurer

6 If Franchisee is a limited liability company, list below the names, residence addresses and respective percentage of ownership interests in the company of each member (and whether any member is a managing member) and submit a copy of the management agreement, if any, to Real Living Real Estate, LLC (if more space is required, attach additional sheets hereto)

a

b

______%

______%

c

d

______%

______%

Legal Name of Entity

d/b/a

Address

7 If any legal entities have been listed at Items 2, 3 or 6 above, list below the names, residence addresses and percentage ownership of each shareholder, partner or holder of an equity interest therein (if more space is required, attach additional sheets hereto)

a ______________________ b ______________________

______________________ ______________________

______________________ ______________________

_____% ______________________ ______________________ _____%

c ______________________ d ______________________

______________________ ______________________

______________________ ______________________

_____% ______________________ ______________________ _____%

8 The term "Designated Equity Holders" as used in the Franchise Agreement including without limitation paragraphs 10 02(b) and 10 03, shall mean the following individuals agreed to by Franchisor and Franchisee

a ________________________________________

b ________________________________________

FRANCHISEE INITIAL HERE [ ]
[ ]
[ ]

**SCHEDULE 1**
**CONTINUING ROYALTY**

**Check the appropriate box and initial in the space next to your selection**

☐ __________ Franchisee designates a Gross Revenue Based Continuing Royalty as the Continuing Royalty pursuant to subparagraph 5 02(a), the Continuing Royalty shall be equal to percentages of certain Gross Revenues derived from the Franchised Business as set forth in the following schedules

| Greater Than | To | Continuing Royalty |
|---|---|---|
| $ 0 | $ 2,500,000 | 5 00% |
| $ 2,500,000 | $ 5,000,000 | 4 50% |
| $ 5,000,000 | $ 10,000,000 | 4 00% |
| $ 10,000,000 | $ 15,000,000 | 3 00% |
| $ 15,000,000 | $ 20,000,000 | 2 00% |
| $ 20,000,000 | $ 40,000,000 | 1 50% |
| $ 40,000,000 | and greater | 1 00% |

☐ __________ Franchisee designates an Agent Based Continuing Royalty as the Continuing Royalty pursuant to subparagraph 5 02(a), the Continuing Royalty shall be comprised of (i) and (ii) immediately below

(i) an amount equal to the applicable amount (the "Multiplier") listed in the chart below times the number of Sales Professionals employed, licensed or otherwise associated with Franchisee at any time during the preceding calendar month

| Number of Sales Professionals | Multiplier |
|---|---|
| 1 – 30 | $120 |
| 31 – 50 | $100 |
| 51 – 70 | $80 |
| 71 and higher | $60 |

(ii) Percentages of certain Gross Revenues ("GR Percentage") derived from the Franchised Business as set forth in the following schedules

| Greater Than | To | Continuing Royalty |
|---|---|---|
| $ 0 | $ 1,500,000 | 1 50% |
| $ 1,500,000 | $ 5,000,000 | 1 25% |
| $ 5,000,000 | and greater | 1 00% |

**EXHIBIT B**
**TO THE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES AS OF 12/31/2016**

**Real Living Real Estate LLC**

**Franchisees as of 12/31/2016**

By State and City

| Franchisee Business Name | Franchisee Mailing Address | City | State | Zip | Phone Number | Primary Contact | Offices |
|---|---|---|---|---|---|---|---|
| **Alabama** | | | | | | | |
| Real Living Norman Realty | 1422 B Hillcrest Rd | Mobile | AL | 36695 | (251) 634 9344 | Carolyn Norman | 1 |
| **Arizona** | | | | | | | |
| Real Living S J Fowler Real Estate | 6360 E Brown Road #103 | Mesa | AZ | 85205 | (480) 649 3536 | Steven Fowler | 2 |
| Real Living Property For You | 9051 W Kelton Ln Suite 2 | Peoria | AZ | 85382 | (623) 385 7000 | Bill Ashker | 1 |
| Real Living Success Realty | 8687 E Via de Ventura Ste 308 | Scottsdale | AZ | 85258 | (480) 295 4500 | Gary May | 1 |
| **California** | | | | | | | |
| Real Living Hamilton Landon | 18888 Highway 18 Ste 101 | Apple Valley | CA | 92307 | (760) 242 8157 | Jason Landon | 1 |
| Real Living Diamond Realtors | 755 N Peach Ave # A11 | Clovis | CA | 93611 | (559) 298 2033 | Alvin Togo | 1 |
| Real Living Napolitano Real Estate | 939 Orange Ave | Coronado | CA | 92118 | (619) 435 0135 | Michel Napolitano | 1 |
| Real Living College Realty | 14767 Bear Valley Road | Hesperia | CA | 92345 | (760) 244 6145 | Charles Moore | 1 |
| Real Living Prime Properties | 74785 Highway 111 Ste 211 | Indian Wells | CA | 92210 | (760) 469 4600 | Robert Saunders | 1 |
| Real Living Pacific Realty | 27281 Las Ramblas Suite 218 | Mission Viejo | CA | 92612 | (949) 276 6950 | Chris Koceman | 6 |
| Real Living Premier Realty | 23180 Hemlock Ave #100 | Moreno Valley | CA | 92557 | (951) 571 9800 | Harry Schwier | 1 |
| Real Living Properties Unlimited | 6642 Carnelian St | Rancho Cucamong | CA | 91701 | (909) 944 6555 | Daniel Burns | 1 |
| Real Living Real Estate Professionals | 1647 Court Street | Redding | CA | 96001 | (530) 224 6700 | Ross Domke | 1 |
| Real Living Sugar Pine Realty | 19520 Hillsdale Drive | Sonora | CA | 95370 | (209) 533 4242 | Emmett Brennan | 4 |
| **Colorado** | | | | | | | |
| Real Living CO Properties | 480 South Holly Street | Denver | CO | 80246 | (303) 377 8100 | Albert Galperin | 1 |
| Real Living 1st Choice Real Estate Services | 1661 N Estrella Ave | Loveland | CO | 80538 | (970) 669 9696 | Cathy Forsythe | 1 |
| Real Living CO Real Estate | 12061 N Tejon St Suite 300 | Westminster | | 80234 | (720) 880 2288 | Jacqueline Nordstrom | 1 |
| **Connecticut** | | | | | | | |
| Page Taft Real Living | 89 Whitfield Street | Guilford | CT | 06437 | (203) 453 6511 | Karen Stephens | 1 |
| Real Living Wareck D'Ostilio | 47 High St | New Haven | CT | 06510 | (203) 787 7800 | John Wareck | 3 |
| Real Living Wareck D Ostilio | 129 Church Street Suite 305 | New Haven | CT | 06510 | (203) 787 6888 | John Wareck | 3 |
| **Florida** | | | | | | | |
| Real Living Good Neighbor Realty | 990 N SR 434 Suite 1132 | Altamonte Springs | FL | 32714 | (352) 729 7325 | John Pete Craft | 2 |
| Real Living 1st Choice Realty | 5691 Coral Ridge Dr | Coral Springs | FL | 33065 | (954) 334 4622 | John Martinelli | 1 |
| Real Living Infinity International | 1209 E Las Olas Blvd | Fort Lauderdale | FL | 33301 | (954) 653 5000 | Tom Stravecky | 1 |
| Real Living Cypress Realty Inc | 7270 4 College Parkway | Fort Myers | FL | 33907 | (239) 275 3321 | Robert Wade | 1 |
| Real Living First Service Realty | 13155 SW 42nd Street Suite 200 | Miami | FL | 33175 | (305) 551 9400 | Eduardo San Roman | 9 |
| Real Living Real Estate Solutions | 7208 W Sand Lake Road #103 | Orlando | FL | 32137 | (407) 253 1377 | Anthony Marino | 1 |
| Real Living Palm West Home Realty Inc | 2 Florida Park Drive North | Palm Coast | FL | 32137 | (386) 445 7000 | Lou Delgado | 3 |
| Real Living All Florida Realty | 1648 SE Port St Lucie Blvd | Port St Lucie | FL | 34952 | (772) 323 2010 | David Bessette | 5 |
| Real Living Casa Fina Realty | 5383 Primrose Lake Cir Ste C | Tampa | FL | 33647 | (813) 569 6294 | Nicholas Parrinello | 1 |
| Real Living Mutter Real Estate Group | 1114 S Washington Ave | Titusville | FL | 32780 | (321) 269 9855 | Bobby Mutter | 2 |

Real Living Real Estate LLC
Franchisees as of 12/31/2016
By State and City

| Franchisee Business Name | Franchisee Mailing Address | City | State | Zip | Phone Number | Primary Contact | Offices |
|---|---|---|---|---|---|---|---|
| Georgia | | | | | | | |
| Real Living Capital City | 1799 Briarcliff Rd Ste Q2 | Atlanta | GA | 30306 | (404) 874 9094 | Rusty Willis | 1 |
| Real Living Craig Realty | 104 East Savannah St | Clayton | GA | 30525 | (706) 782 0747 | LJ Craig | 1 |
| Real Living Elite | 610 S Glenwood Ave Suite 102 | Dalton | GA | 30721 | (706) 278 6800 | Darren Payne | 1 |
| Real Living Realty Advisors | 1817 Green Circle | Valdosta | GA | 31602 | (229) 333 4622 | Ronald Borders | 1 |
| Real Living Georgia Life Realty | 211 Main Street | Villa Rica | GA | 30180 | (770) 456 2600 | Deborah Hohenstein | 1 |
| Illinois | | | | | | | |
| Real Living McCollum Real Estate | 811 North Main Street | Benton | IL | 62812 | (618) 435 5531 | David McCollum | 2 |
| Real Living Speckman Realty Inc | 612 Armour Rd | Bourbonnais | IL | 60914 | (815) 937 4370 | Peter Grant | 1 |
| Real Living City Residential | 932 W Grace Street | Chicago | IL | 60613 | (773) 327 9300 | Fredericus Janssen | 2 |
| Real Living Gobber Realty | 1860 S Mannheim | Westchester | IL | 60154 | (708) 531 0800 | Michael Gobber | 1 |
| Indiana | | | | | | | |
| Real Living Resource Real Estate | 5936 E State Blvd | Fort Wayne | IN | 46802 | (260) 420 7653 | Michael Litchin | 1 |
| Real Living Ness Bros Real Estate & Auction Co | 519 North Jefferson Street | Huntington | IN | 46750 | (260) 356 3911 | Kurt Ness | 3 |
| Real Living Homes & Beyond | 2575 N Sr 9 / PO Box 239 | Lagrange | IN | 46761 | (260) 463 2881 | Jody Holsinger | 1 |
| Real Living Property House | 5100 West Bradburn Drive | Muncie | IN | 47304 | (765) 286 8400 | Rickie Sipe | 1 |
| Kentucky | | | | | | | |
| Associated REALTORS Real Living | 100 Drexler Circle | Elizabethtown | KY | 42701 | (270) 740 1405 | Lydia Drexler | 1 |
| Louisiana | | | | | | | |
| Real Living Bobby Drude & Assoc | 42299 Perricone Drive | Hammond | LA | 70403 | (985) 345 3344 | Brent Drude | 1 |
| Real Living Southern Home Professionals | 61025 Highway 1091 Suite 3 | Slidell | LA | 70458 | (985) 605 5000 | Jennifer Drude | 1 |
| Maryland | | | | | | | |
| Real Living At Home | 4600 North Park Avenue Suite 100 | Chevy Chase | MD | 20815 | (301) 652 0643 | Jason Sherman | 4 |
| Massachusetts | | | | | | | |
| BOWES Real Estate Real Living | 1010 Massachusetts Avenue | Arlington | MA | 2476 | (781) 648 3500 | Robert Bowes | 1 |
| Real Living Realty Group | 55 W Central St | Franklin | MA | 02038 | (508) 520 9669 | Mike Colombo | 3 |
| Real Living Schruender Real Estate | 73 Chickering Road | North Andover | MA | 01845 | (978) 685 5000 | George Schruender | 1 |
| Real Living Coastal Real Estate | 37 Front Street | Scituate | MA | 2006 | (781) 545 1911 | Amy Toth | 1 |
| Real Living Realty Professionals | 2040 Boston Road Suite 16 | Wilbraham | MA | 01095 | (413) 596 6711 | Robert Molta | 5 |
| Real Living Barbera Associates | 451 Grove Street | Worcester | MA | 01605 | (508) 852 4227 | Raymond Barbera | 1 |
| Michigan | | | | | | | |
| Real Living Kee Realty | 15501 Metropolitan Parkway Suite 105 | Clinton Township | MI | 48036 | (586) 286 4600 | John Meesseman | 6 |
| Real Living Metro Real Estate | 3050 Union Lake Road | Commerce Townsh | MI | 48382 | (248) 242 7282 | Annalisa Byer | 1 |
| Real Living Tremaine Real Estate com | 512 E Grand Blanc Road | Grand Blanc | MI | 48439 | (810) 579 4663 | John Tremaine | 2 |
| Sine & Monaghan REALTORS Real Living | 18412 Mack Avenue | Grosse Pointe Farm | MI | 48236 | (313) 884 7000 | Mark Monaghan | 4 |
| Real Living John Burt Realty | 15 East Burdick | Oxford | MI | 48371 | (248) 628 7700 | John Burt | 2 |
| Real Living Great Lakes Real Estate | 2915 S Rochester Road | Rochester Hills | MI | 48307 | (248) 293 0000 | Kathy Coon | 3 |

**Real Living Real Estate LLC**
**Franchisees as of 12/31/2016**
By State and City

| Franchisee Business Name | Franchisee Mailing Address | City | State | Zip | Phone Number | Primary Contact | Offices |
|---|---|---|---|---|---|---|---|
| Minnesota | | | | | | | |
| Real Living First Realty | 512 Paul Bunyan Dr NW | Bemidji | MN | 56601 | (218) 751 2511 | Douglas Fuller | 1 |
| Real Living Messina & Associates | 1512 E Superior Street | Duluth | MN | 55812 | (218) 728 4436 | Frank Messina | 1 |
| Real Living Home to Home Realty | 313 N Riverfront Drive | Mankato | MN | 56001 | (507) 385 7575 | Vonda Herding | 1 |
| Real Living 1st MSP Realty | 4827 W 123rd Street | Savage | MN | 55378 | (952) 465 0177 | Jerry Young | 2 |
| Mississippi | | | | | | | |
| Real Living Hearts and Home Realty | 3600 Bluecutt Rd | Columbus | MS | 39705 | (662) 574 3758 | Angela Laster | 1 |
| Missouri | | | | | | | |
| Real Living A Helper Real Estate | 440 West Elm | Lebanon | MO | 65536 | (417) 533 3571 | Teresa Hough | 1 |
| Real Living Gateway Real Estate | 4409 Meramec Bottom Road Ste G | Saint Louis | MO | 63129 | (314) 293 9339 | Larry Palmer | 2 |
| Real Living Now Real Estate | 3072 Highway K&N Plaza | St Charles | MO | 63304 | (636) 379 2378 | Joe Riley | 1 |
| Montana | | | | | | | |
| Real Living Greater Montana | 2010 South Reserve Street | Missoula | MT | 59801 | (406) 363 4450 | Sheriese Jones | 1 |
| Nebraska | | | | | | | |
| Real Living Advantage Real Estate | 1105 Norfolk Avenue | Norfolk | NE | 68701 | (402) 371 8085 | Sandy Wolfe | 1 |
| New Jersey | | | | | | | |
| Real Living Preferred Real Estate | 953 Route 202 | Branchburg | NJ | 08876 | (908) 707 0580 | Richard Lella | 1 |
| Real Living John Young Realtors | 200 Bloomfield Ave Box 351 | Caldwell | NJ | 07006 | (973) 226 1218 | William Anderson | 1 |
| Real Living Gateway Realtors | 464 Boulevard | Hasbrouck Heights | NJ | 07604 | (201) 288 0004 | Mary Ellen Courtney | 1 |
| Real Living Gold Star Realty | 222 Kinderkamack Road | Oradell | NJ | 07649 | (201) 599 1484 | Teri Gamble | 1 |
| New York | | | | | | | |
| Real Living Five Corners | 300 Heathcoate Road | Scarsdale | NY | 10583 | (914) 723 5555 | Jonathan Lerner | 2 |
| Real Living Innovations Realty Group | 3366 Park Ave | Wantagh | NY | 11793 | (516) 221 7362 | David Spiegel | 2 |
| North Carolina | | | | | | | |
| Real Living Margaret Ford Realty | 233 South Sharon Amity Suite 205 | Charlotte | NC | 28211 | (704) 362 2233 | Margaret Ford | 1 |
| Real Living Duffus Realty Inc | 201 Commerce Street | Greenville | NC | 27858 | (252) 756 5395 | Liles Stott | 1 |
| Real Living Hobbs Realty Sales | 3456 Holden Beach Road SW | Holden Beach | NC | 28462 | (910) 842 2002 | Michael Hobbs | 1 |
| Real Living Carolina Property | 121 East Union Street | Morganton | NC | 28655 | (828) 438 3660 | Michael Watts | 3 |
| Real Living Pittman Properties | 10224 Durrant Road Suite 107 | Raleigh | NC | 27609 | (919) 277 4622 | George Pittman | 3 |
| Real Living Hagan Realtors | 2208 Midland Road | Southern Pines | NC | 28374 | (910) 295 6321 | James Hagan | 4 |
| Ohio | | | | | | | |
| Real Living Volpini Realty Group | 7098 Lockwood Blvd Suite 7102 | Boardman | OH | 44514 | (330) 757 1300 | Marisa Volpini | 3 |
| Real Living Joseph Schmidt Realty Inc | 47 Pearl Road | Brunswick | OH | 44212 | (330) 225 6688 | Joseph Schmidt | 1 |
| Real Living Ron Neff Real Estate | 153 S Paint Street | Chillicothe | OH | 45133 | (740) 773 4670 | Lon Fout | 1 |
| Real Living CCR Realtors | 1737 Allentown Road | Lima | OH | 45805 | (419) 222 0555 | Dominic Guagenti | 2 |
| Real Living McCarthy Real Estate | 318 Second Street | Marietta | OH | 45750 | (740) 373 1523 | Steve McCarthy | 3 |
| Real Living Generations | 1794 Marion Waldo Road | Marion | OH | 43302 | (740) 389 5500 | James Conway | 2 |

Real Living Real Estate LLC
Franchisees as of 12/31/2016
By State and City

| Franchisee Business Name | Franchisee Mailing Address | City | State | Zip | Phone Number | Primary Contact | Offices |
|---|---|---|---|---|---|---|---|
| **Ohio (continued)** | | | | | | | |
| Real Living Darby Creek | 32 S Main Street | Mechanicsburg | OH | 43044 | (937) 834 7653 | Lisa Yates | 2 |
| Real Living Home Team | 1485 Yauger Road P O Box 1091 | Mt Vernon | OH | 43050 | (740) 393 3777 | David Culbertson | 1 |
| Real Living Morgan Realty Group | 100 S Jefferson Street | Port Clinton | OH | 43452 | (419) 732 0941 | Jeffrey Morgan | 1 |
| Real Living Petkus Realtors | 210 West National Road | Vandalia | OH | 45377 | (937) 890 0700 | Molly Petkus | 1 |
| Real Living Brokers Realty Group | 382 Niles Cortland Road | Warren | OH | 44484 | (330) 856 7777 | Yvonne Smith | 2 |
| Real Living Anders & Associates | 46 E Main Street | West Jefferson | OH | 43162 | (614) 879 6468 | Michelle Anders | 1 |
| **Pennsylvania** | | | | | | | |
| Real Living Lisa Fry & Assoc | 174 Lakemont Park Blvd | Altoona | PA | 16602 | (814) 949 9000 | Lisa Fry | 2 |
| Real Living Action Realty | 2551 Baglyos Circle Suite A 17 | Bethlehem | PA | 18020 | (610) 691 1777 | Eileen Cowell | 1 |
| Real Living Real Estate Experts | 224 Liberty St | Warren | PA | 16365 | (814) 723 3910 | Karlene Smith | 1 |
| Real Living Spectrum Real Estate | 3312 7th Street | Whitehall | PA | 18052 | (610) 439 1491 | Kenneth Snyder | 1 |
| **Puerto Rico** | | | | | | | |
| TIRI Trans Indies Realty & Investment Corp Real Livir | #9 Camino Alejandrino Road | Guaynabo | PR | 00969 | (787) 789-0000 | VALERIE GAMBEDOTTI | 4 |
| **Rhode Island** | | | | | | | |
| Randall Realtors Real Living | 4009 Old Post Rd Box 422 | Charlestown | RI | 2813 | (866) 278 2775 | Doug Randall | 8 |
| Kinlin Grover Real Living | 4 Wianno Avenue | Osterville | RI | 02813 | (866) 278 2775 | Annie Blatz | 15 |
| **South Carolina** | | | | | | | |
| Real Living At the Beach | 727 Wachesaw Road | Murrells Inlet | SC | 29576 | (843) 357 8500 | Carl Skip Brodhun II | 1 |
| **Tennessee** | | | | | | | |
| Real Living Sterling Properties | 106 Mission Court Suite 105 | Franklin | TN | 37067 | (615) 628 3232 | Charles Caudell | 1 |
| Real Living Southland | 244 N Peters Rd | Knoxville | TN | 37923 | (865) 693 6961 | Josh Sanderson | 1 |
| **Texas** | | | | | | | |
| Real Living Real Estate Group | 8920 Directors Row | Dallas | TX | 75252 | (972) 723 0994 | William Houston | 1 |
| Real Living The Hatmaker Group | 1021 61st Street Ste 100 B | Galveston | TX | 77551 | (409) 744 4622 | Michelle Hatmaker | 1 |
| Beth Wolff REALTORS Real Living | 1775 St James Place Suite 100 | Houston | TX | 77056 | (713) 622 9339 | Ed Wolff | 2 |
| Real Living Karapasha Realty | 21306 A Provincial Blvd | Katy | TX | 77450 | (281) 579 3233 | Karen Karapasha | 1 |
| Real Living Greg Garrett | 6502 Slide Road Suite 202 | Lubbock | TX | 79424 | (806) 792 0073 | Greg Garrett | 1 |
| Real Living Best Homes Realty | 4800 Fredericksburg Road | San Antonio | TX | 78229 | (210) 691 4622 | Joe Acosta | 1 |
| **Virginia** | | | | | | | |
| Real Living Reserve Realtors | 11350 Random Hills Rd Ste 130 | Fairfax | VA | 22030 | (703) 352 9701 | Ray Baumann | 1 |
| Real Living Cornerstone | 238 North Main Street | Farmville | VA | 23901 | (434) 395 1225 | Navona Hart | 1 |
| Real Living Eudailey Real Estate | 9012 Three Chopt Road | Richmond | VA | 23229 | (804) 282 7678 | Blake Eudailey | 1 |
| Real Living Tidewater | 3420 Holland Road Suite 106 | Virginia Beach | VA | 23452 | (757) 468 3888 | John McCormick II | 1 |
| **Washington** | | | | | | | |
| Real Living Northwest REALTORS | 18106 102nd Ave NE | Bothell | WA | 98011 | (425) 402 9020 | William McCarthy | 2 |
| Real Living The Real Estate Group | 1905 SE 192nd Street Suite 203 | Camas | WA | 98607 | (360) 993 2222 | Dian Lane | 4 |

**Real Living Real Estate LLC**

**Franchisees as of 12/31/2016**

By State and City

| Franchisee Business Name | Franchisee Mailing Address | City | State | Zip | Phone Number | Primary Contact | Offices |
|---|---|---|---|---|---|---|---|
| **West Virginia** | | | | | | | |
| Real Living 1st Service Real Estate | 2613 Dudley Avenue | Parkersburg | WV | 26101 | (304) 865 1500 | Edward Staats III | 1 |
| Real Living Solutions Real Estate | 221 S Walker St | Princeton | WV | 26101 | (304) 887 1214 | Christy Wood | 1 |
| **Wisconsin** | | | | | | | |
| Real Living Bay Realtors Inc | 1775 Velp Avenue Suite A | Green Bay | WI | 54303 | (920) 593 8338 | Mark Cherney | 1 |
| Real Living Matson & Associates Inc | 1601 East Main Street PO Box 333 | Stoughton | WI | 53589 | (608) 873 8700 | Tom Matson | 1 |
| **Wyoming** | | | | | | | |
| Real Living Hake Realty | 744 Big Horn Avenue | Worland | WY | 82401 | (307) 347 3271 | Landis Benson | 2 |
| | | | | | | Outlet Total | 224 |

**Real Living Real Estate LLC**

***Former Franchisees as of 12/31/2016**

By State and City

| Franchisee Business Name | Primary Contact | Last Known Address | Affiliate City/Province/Zip | Affiliate Phone Number | Reason for Termination | Offices |
|---|---|---|---|---|---|---|
| FLORIDA | | | | | | |
| Luxury Homes Inc | Morris Stoltz | 301 Yamato Rd Ste 3199 | Boca Raton FL 33431 | (561) 395 9800 | Mutual Termination | 1 |
| INDIANA | | | | | | |
| Team Winnie Inc | Wade Myers | 2905 State St | Columbus IN 47201 | (812) 375 9233 | Terminated for Cause | 1 |
| KENTUCKY | | | | | | |
| Home Realty Inc | Connie Lou Barnett | 3424 Frederica Street | Owensboro KY | (270) 684 6221 | Non Renewal | 1 |
| MICHIGAN | | | | | | |
| Quality Real Estate NW Inc | Donald Kamen | 133 W Main St Suite 100 | Northville MI 48167 | (734) 462 3000 | Mutual Termination | 1 |
| NEW MEXICO | | | | | | |
| David Haemker & Associates Inc | David Haemker | 8650 Alameda Blvd NE Suite 105E | Albuquerque NM 87113 | (505) 798 6399 | Non Renewal | 1 |
| NEW YORK | | | | | | |
| Accents on Real Estate | Jean Casella | 917 Port Washington Blvd | Port Washington NY 11050 | (516) 944 7171 | Mutual Termination | 2 |
| OHIO | | | | | | |
| Classic Real Estate Co Inc | Jenny Hilterbran | 123 West Main Street | Hillsboro OH 45133 | (937) 393 3416 | Non Renewal | 1 |
| OKLAHOMA | | | | | | |
| Diamond s Realty Inc | Hollis Lloyd | 2000 South Douglas Blvd | Midwest City OK 73130 | (405) 737 6040 | Non Renewal | 1 |
| PENSYLVANIA | | | | | | |
| Ramagli Real Estate Inc | Robert Ramagli | 119 Trenton Road | Fairless Hills PA 19030 | (215) 949 3010 | Non Renewal | 1 |
| TEXAS | | | | | | |
| Team GEC Properties LLC | Glen Cook | 2911 A W Grimes Blvd | Pflugerville TX 78660 | (512) 252 8900 | Non Renewal | 1 |
| Banos Inc | Ann Banos | 4520 Spicewood Springs Road #150 | Austin TX 78759 | (512) 447 7325 | Non Renewal | 1 |
| Gillespie Realty & Investment Advisors Inc | Greg Oehler | 502 East Main | Fredericksburg TX 78624 | | Non Renewal | 1 |
| WYOMING | | | | | | |
| Eagle Real Estate LLC | George Magargal | 1234 Sheridan Avenue | Cody WY 82414 | (307) 587 5266 | Non Renewal | 1 |
| | | | | | Total Outlets | 14 |

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

**EXHIBIT C**
**TO THE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES WHO LEFT THE SYSTEM AS OF 12 31 2016**

**Exhibit E**

LIST OF STATE FRANCHISE ADMINISTRATORS

| State | Title of Administrator | Telephone Number |
|---|---|---|
| California | Toll Free Number | (866) 275-2677 |
| | Commissioner of Business Oversight<br>320 West 4th Street<br>Suite 750<br>Los Angeles, California 90013-2344 | (213) 576-7500 |
| | or | |
| | One Sansome Street<br>Suite 600<br>San Francisco, California 94104-4428 | (415) 972-8559 |
| | or | |
| | 1350 Front Street, Room 2034<br>San Diego, California 92101-3697 | (619) 525-4233 |
| | or | |
| | 1515 K Street, Suite 200<br>Sacramento, California 95814-4052 | (916) 445-7205 |
| Hawaii | Commissioner of Securities<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813 | (808) 586-2722 |
| Illinois | Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706 | (217) 782-4465 |
| Indiana | Securities Commissioner<br>302 West Washington St , Rm E-111<br>Indianapolis, Indiana 46204 | (317) 232-6681 |
| Maryland | Office of the Attorney General<br>Securities Division<br>200 St Paul Place<br>Baltimore, Maryland 21202-2021 | (410) 576-6360 |

| State | Title of Administrator | Telephone Number |
|---|---|---|
| Michigan | Attorney General<br>670 G Mennen Williams Building,<br>7th Floor<br>525 West Ottawa Street<br>Lansing, Michigan 48909 | (517) 373-7117 |
| Minnesota | Commissioner of Commerce<br>85 7th Place East, Suite 500<br>St Paul, Minnesota 55101-2198 | (612) 296-6328 |
| New York | Attorney General<br>New York State Department of Law<br>120 Broadway, 23rd Floor<br>New York, New York 10271-0332 | (212) 416-8211 |
| North Dakota | Securities Commissioner<br>600 East Boulevard<br>State Capitol Fifth Floor Dept 414<br>Bismarck, North Dakota 58505 | (701) 328-2910 |
| Oregon | Director, Department of Insurance and Finance<br>Labor and Industries Building<br>Salem, Oregon 97310 | (503) 378-4387 |
| Rhode Island | Director of Business Regulation<br>Building 69-1<br>1511 Pontiac Avenue<br>Cranston, Rhode Island 02920-4407 | (401) 462-9500 |
| South Dakota | Director, Division of Securities<br>124 S Euclid Ave , Suite 104<br>Pierre, South Dakota 57501-3185 | (605) 773-4823 |
| Virginia | State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9th Floor<br>Richmond, Virginia 23219 | (804) 371-9051 |

| State | Title of Administrator | Telephone Number |
|---|---|---|
| Washington | Securities Administrator<br>Washington State Department of Financial Institutions<br>150 Israel Rd SW<br>Tumwater, Washington 98501 | (360) 902-8760 |
| Wisconsin | Commissioner of Securities<br>201 West Washington Street, Suite 300<br>Madison, Wisconsin 53703 | (608) 266-3431 |

**EXHIBIT F**
**TO THE DISCLOSURE DOCUMENT**

**REAL LIVING REAL EATATE OPERATIONS MANUAL**
**TABLE OF CONTENTS**

RealLiving®

Real Estate

# Operations Manual

July 2016

# TABLE OF CONTENTS

**EXHIBIT G**
**TO THE DISCLOSURE DOCUMENT**

**STATE-SPECIFIC ADDENDA**

**ADDENDUM**
**TO THE FRANCHISE DISCLOSURE DOCUMENT OF**
**REAL LIVING REAL ESTATE, LLC**
**REQUIRED BY THE STATE OF CALIFORNIA**

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

1 Neither Real Living nor any other person listed in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U S C A 78a et seq , suspending or expelling such persons from membership in such association or exchange

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

3 The Franchise Agreement provides for termination upon bankruptcy This provision may not be enforceable under Federal Bankruptcy Law (11 U S C A Sec 101 et seq )

4 California Corporations Code Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Business Oversight, prior to a solicitation of a proposed material modification of an existing franchise

5 The Franchise Agreement contains a liquidated damages clause Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable

6 The franchise agreement contains waivers of punitive damages and a jury trial These provisions may not be enforceable under California law

7 The Franchise Agreement requires binding arbitration The arbitration will occur in Orange County, California with the costs being borne by the party who incurs them, except for actions for money collection, indemnity, enforcement and trademark protection in which event the costs are borne by the party who does not prevail

8 The Franchise Agreement requires application of the laws of Delaware This provision may not be enforceable under California law

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT ANY COMPLAINTS CONCERNING

THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www dbo ca gov

The provisions of this Addendum only apply if the jurisdictional requirements of the California Franchise Investment Law are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute

**ADDENDUM**
**TO THE FRANCHISE DISCLOSURE DOCUMENT OF**
**REAL LIVING REAL ESTATE, LLC**
**REQUIRED BY THE STATE OF HAWAII**

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

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

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

Registered agent in the state authorized to receive service of process

Commissioner of Securities
335 Merchant Street
Honolulu, Hawaii 96813

Registration of franchises or filings of offering circulars in other states As of the date of filing of this Addendum in the State of Hawaii

1 A franchise registration is effective or an offering circular is on file in the following states California, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin

2 A proposed registration or filing is or will be shortly on file in the following states None

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

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

5 The proposed registration of these franchises has not been withdrawn in any state

The provisions of this Addendum only apply if the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute

Dated ______________________

____________________________
FRANCHISEE

____________________________
PRINT NAME

**ADDENDUM**
**TO THE FRANCHISE DISCLOSURE DOCUMENT OF**
**REAL LIVING REAL ESTATE, LLC**
**REQUIRED BY THE STATE OF ILLINOIS**

1 The conditions under which your Franchise can be terminated and your rights upon non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20

2 Cover Page Risk factor 1 indicates that local law may supersede the Franchise Agreement As noted in Paragraph 4 below, the Illinois Franchise Disclosure Act does supersede the Franchise Agreement and applies to Illinois franchisees

3 Item 17 The following language is added to Items 17v and 17w

"Provided that Illinois law will govern franchises located in the State of Illinois "

4 Item 17v Illinois law provides that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void provided that a franchise agreement may provide for arbitration in a forum outside of Illinois

The provisions of this Addendum only apply if the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute

| REAL LIVING REAL ESTATE, LLC | FRANCHISEE |
|---|---|
| By ______________________ | By ______________________ |
| Print Name ______________ | Print Name ______________ |
| Title ____________________ | Title ____________________ |
| Date ____________________ | Date ____________________ |

**ADDENDUM**
**TO THE FRANCHISE AGREEMENT OF**
**REAL LIVING REAL ESTATE, LLC**
**REQUIRED BY THE STATE OF ILLINOIS**

1 The following language is added to Paragraph 12 07 of the Franchise Agreement

> "The parties acknowledge that Illinois law provides that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void provided that a franchise agreement may provide for arbitration in a forum outside of Illinois "

2 The following language is added to Paragraph 15 01 of the Franchise Agreement

> "Provided, however, that Illinois law will govern franchises located in the State of Illinois Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this state is void '"

The provisions of this Addendum only apply if the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute

| REAL LIVING REAL ESTATE, LLC<br>a Delaware limited liability company | FRANCHISEE |
|---|---|
| By ______________________ | By ______________________ |
| Print Name ________________ | Print Name ________________ |
| Title _____________________ | Title _____________________ |
| Date _____________________ | Date _____________________ |

**ADDENDUM**
**TO THE FRANCHISE DISCLOSURE DOCUMENT OF**
**REAL LIVING REAL ESTATE, LLC**
**REQUIRED BY THE STATE OF MARYLAND**

1 Item 17 (h) – "Cause" Defined – Non-Curable Defaults Provisions for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U S C Section 101 et seq )

2 Item 17 (v) – Choice of Forum A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and 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

**ADDENDUM**
**TO THE FRANCHISE AGREEMENT OF**
**REAL LIVING REAL ESTATE, LLC**
**REQUIRED BY THE STATE OF MARYLAND**

1 The following sentence is hereby added to Paragraph 12 07 of the Franchise Agreement

> "Nothing in this paragraph shall prohibit a franchisee in Maryland from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law "

2 The following sentence is hereby added to Paragraph 12 08 of the Franchise Agreement

> "The Maryland Franchise Registration and Disclosure Law currently provides that any claims arising under it must be brought within three (3) years after the grant of a franchise "

3 The following sentence is hereby added to the Franchise Agreement

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

Dated ____________________

| | |
|---|---|
| REAL LIVING REAL ESTATE, INC<br>a Delaware limited liability company | FRANCHISEE |
| By ______________________ | By ____________________ |
| Print Name ________________ | ______________________ |
| Title _____________________ | ______________________ |

**ADDENDUM**
**TO THE FRANCHISE DISCLOSURE DOCUMENT OF**
**REAL LIVING REAL ESTATE, LLC**
**REQUIRED BY THE STATE OF MINNESOTA**

Minnesota Statutes, Section 80C 21 and Minnesota Rules 2860 4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C 14, Subd 3-5 which require (except in certain specified cases) (i) that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld

The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks Refer to Minnesota Statutes, Section 80C 12, Subd 1(g)

Minnesota Rules 2860 4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release

The franchisee cannot consent to the franchisor obtaining injunctive relief The franchisor may seek injunctive relief See Minn Rules 2860 4400J

Also, a court will determine if a bond is required

Any limitations of claims section must comply with Minnesota Statutes, Section 80C 17, Subd 5

The provision of this Addendum only apply if the jurisdictional requirements of the Minnesota Franchises Law are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute

**ADDENDUM**
**TO THE FRANCHISE AGREEMENT OF**
**REAL LIVING REAL ESTATE, LLC**
**REQUIRED BY THE STATE OF MINNESOTA**

Minnesota Statutes, Section 80C 21 and Minnesota Rules 2860 4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C 14, Subd 3-5 which require (except in certain specified cases) (i) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld

The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks Refer to Minnesota Statutes, Section 80C 12, Subd 1(g)

Minnesota Rules 2860 4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release

The franchisee cannot consent to the franchisor obtaining injunctive relief The franchisor may seek injunctive relief See Minn Rules 2860 4400J

Also, a court will determine if a bond is required

Any limitations of claims section must comply with Minnesota Statutes, Section 80C 17, Subd 5

The provisions of this Addendum only apply if the jurisdictional requirements of the Minnesota Franchises Law are met independently without reference to this Addendum, and to the extent they are then valid requirements of the statute

Dated this ________________ day of _________________________ 201___

| | |
|---|---|
| REAL LIVING REAL ESTATE, LLC<br>a Delaware limited liability company | FRANCHISEE |
| By ________________________ | By ______________________________ |
| Print Name _________________ | Print Name _______________________ |
| Title ______________________ | Title _____________________________ |

**ADDENDUM**
**TO THE FRANCHISE DISCLOSURE DOCUMENT OF**
**REAL LIVING REAL ESTATE, LLC**
**REQUIRED BY THE STATE OF NEW YORK**

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATION PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS DISCLOSURE DOCUMENT**

1 Item 3 Item 3 of the Disclosure Document is amended by deleting the last paragraph of the disclosure and substituting the following

> "Other than the actions described above, neither we, our predecessor, nor a person identified in Item 2, or an affiliate offering franchises under our principal trademark
>
> 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 In addition, there are no 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
>
> 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, antitrust or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations
>
> Is subject to a currently effective injunction 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 injunction 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 "

2 Item 4 Item 4 of the Disclosure Document is amended by deleting the disclosure and substituting the following

"Neither we, our affiliate, our predecessor nor our officers during the 10-year period immediately before the date of the Disclosure Document (a) filed as debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code, (b) obtained a discharge of its debts under the bankruptcy code, or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code or that obtained a discharge of its debts under the U S Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership "

3 Item 5 The following language is added to Item 5 Initial Fees

"The initial franchise fees shall be used by the Franchisor for its general purposes in the operation of its business

4 Item 17 The following is added to the Summary column opposite provision d

"The franchisee may terminate on any grounds available by law "

The Franchisor represents that the Disclosure Document does not knowingly omit any material fact or make an untrue statement regarding a material fact

The provisions of this Addendum only apply if the jurisdictional requirements of the New York Franchises Law are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute

**ADDENDUM**
**TO THE FRANCHISE DISCLOSURE DOCUMENT OF**
**REAL LIVING REAL ESTATE, LLC**
**REQUIRED BY THE STATE OF NORTH DAKOTA**

THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (SECTION 51-19-09, N D C C )

A Restrictive Covenants Franchise offering circulars which disclose the existence of covenants restricting competition contrary to Section 9-08-06 N D C C , without further disclosing that such covenants will be subject to the statute

B Situs of Arbitration Proceedings Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business

C Restrictions on Forum Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota

D Liquidated Damages and Termination Penalties Requiring North Dakota franchisees to consent to liquidated damages or termination penalties

E Applicable Laws Franchise agreements which specify that they are to be governed by the laws of a state other than North Dakota

F Waiver of Trial by Jury Requiring North Dakota franchisees to consent to the waiver of a trial by jury

G Waiver of Exemplary & Punitive Damages Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages

H General Release Franchise agreements that require the franchisee to sign a general release upon renewal of the franchise agreement

I Limitation of Claims Franchise agreements that require the franchisee to consent to a limitation of claims The statute of limitations under North Dakota law applies

J Enforcement of Agreement Franchise agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees

**ADDENDUM**
**TO THE FRANCHISE AGREEMENT OF**
**REAL LIVING REAL ESTATE, LLC**
**REQUIRED BY THE STATE OF NORTH DAKOTA**

1 The following language is added to the first sentence of Paragraph 12 06 of the Franchise Agreement

> "Provided, however, that the arbitration shall take place at a location agreeable to the parties and may not be remote from Franchisee's place of business If the parties cannot agree on a location, the site of the arbitration shall be determined by JAMS rules "

2 The following language is added to Subparagraph 12 07(a) of the Franchise Agreement

> "Provided, however, that Franchisee is not required to consent to the jurisdiction of a court outside of North Dakota "

3 Subparagraph 12 07(b) is deleted

4 The following language is added to Paragraph 12 08 of the Franchise Agreement

> "Provided, however, that in the event there is conflict between the provisions of this section and the statute of limitation under North Dakota law, then North Dakota law will prevail "

5 The following language is added to Section 15 01 of the Franchise Agreement

> "Provided, however, that in the event there is a conflict between Delaware law and North Dakota Law, then North Dakota Law will prevail "

The provisions of this Addendum only apply if the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute

**ADDENDUM
TO THE FRANCHISE DISCLOSURE DOCUMENT OF
REAL LIVING REAL ESTATE, LLC
REQUIRED BY THE STATE OF RHODE ISLAND**

1 Item 17(w) The following language is added to Item 17(w)

Section 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 "

The provisions of this Addendum only apply if the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute

**ADDENDUM**
**TO THE FRANCHISE DISCLOSURE DOCUMENT OF**
**REAL LIVING REAL ESTATE, LLC**
**REQUIRED BY THE COMMONWEALTH OF VIRGINIA**

1 Item 17(h) The following is added to Item 17(h)

"Pursuant to Section 13 1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause If any ground for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable "

The provisions of this Addendum only apply if the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute

**ADDENDUM**
**TO THE FRANCHISE DISCLOSURE DOCUMENT OF**
**REAL LIVING REAL ESTATE, LLC**
**REQUIRED BY THE STATE OF WASHINGTON**

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 involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19 100 RCW shall prevail

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable

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

The provisions of this Addendum only apply if the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute

The undersigned does hereby acknowledge receipt of this addendum

Dated this __________ day of ______________________, 201__

| REAL LIVING REAL ESTATE, LLC | FRANCHISEE |
|---|---|
| By _________________________ | By _________________________ |
| Print Name __________________ | Print Name __________________ |
| Title _______________________ | Title _______________________ |

**ADDENDUM**
**TO THE FRANCHISE AGREEMENT OF**
**REAL LIVING REAL ESTATE, LLC**
**REQUIRED BY THE STATE OF WASHINGTON**

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 involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19 100 RCW shall prevail

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable

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

The provisions of this Addendum only apply if the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute

The undersigned does hereby acknowledge receipt of this addendum

Dated this ________________ day of ________________________ 201_____

| | |
|---|---|
| REAL LIVING REAL ESTATE, LLC<br>a Delaware limited liability company | FRANCHISEE |
| By ________________________ | By ______________________________ |
| Print Name _________________ | Print Name ______________________ |
| Title _______________________ | Title ____________________________ |

**ADDENDUM**
**TO THE FRANCHISE DISCLOSURE DOCUMENT OF**
**REAL LIVING REAL ESTATE, LLC**
**REQUIRED BY THE STATE OF WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law

The provisions of this Addendum only apply if the jurisdictional requirements of the Wisconsin Franchise Investment Law are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute

**ADDENDUM**
**TO THE FRANCHISE AGREEMENT OF**
**REAL LIVING REAL ESTATE, LLC**
**REQUIRED BY THE STATE OF WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law

The provisions of this Addendum only apply if the jurisdictional requirements of the Wisconsin Franchise Investment Law are met independently without reference to this Addendum and to the extent they are then valid requirements of the statute

# EXHIBIT H
# TO THE DISCLOSURE DOCUMENT

## LIST OF AGENTS FOR SERVICE OF PROCESS

## Exhibit H

LIST OF AGENTS FOR SERVICE OF PROCESS

| State | Name and Address of Agent |
| --- | --- |
| California | California Commissioner of Business Oversight<br>320 W Fourth Street, Suite 750<br>Los Angeles, California 90013-2344 |
| Hawaii | Commissioner of Securities<br>335 Merchant Street, Room 203<br>Honolulu, Hawaii 96813 |
| Illinois | Illinois Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706 |
| Indiana | Indiana Secretary of State<br>201 State House<br>200 West Washington Street<br>Indianapolis, Indiana 46204 |
| Maryland | Maryland Securities Commissioner<br>200 St Paul Place<br>Baltimore, Maryland 21202-2021 |
| Michigan | Corporations, Securities and Land Development Bureau<br>Michigan Department of Consumer and Industry Services<br>6546 Mercantile Way<br>P O Box 30222<br>Lansing, Michigan 48909 |
| Minnesota | Minnesota Commissioner of Commerce<br>85 7th Place East, Suite 500<br>St Paul, Minnesota 55101-2198 |
| New York | New York Secretary of State<br>One Commerce Plaza<br>99 Washington Avenue<br>Albany, New York 12231 |
| North Dakota | Securities Commissioner<br>600 East Boulevard<br>State Capitol Fifth Floor Dept 414<br>Bismarck, North Dakota 58505 |

| | |
|---|---|
| Rhode Island | Director of Business Regulation<br>Building 69-1<br>1511 Pontiac Avenue<br>Cranston, Rhode Island 02920-4407 |
| South Dakota | Director of South Dakota Division of Securities<br>124 S Euclid Ave , Suite 104<br>Pierre, South Dakota 57501-3185 |
| Virginia | Clerk of the State Corporation Commission<br>1300 East Main Street, 1st Floor<br>Richmond, Virginia 23219 |
| Washington | Securities Administrator<br>Washington State Department of Financial Institutions<br>150 Israel Rd SW<br>Tumwater, Washington 98501 |
| Wisconsin | Division Administrator<br>201 W Washington Avenue, Suite 300<br>Madison, Wisconsin 53703 |

If a state is not listed, Real Living Real Estate, LLC has not appointed an agent for service process in that state in connection with the requirements of franchise laws There may be states in addition to those listed above in which Real Living Real Estate LLC has appointed an agent for service of process

**EXHIBIT I**
**TO THE DISCLOSURE DOCUMENT**

**INDUSTRY REGULATIONS**

Exhibit I

STATE LAWS REQUIRING LICENSING OF REAL ESTATE BROKERS AND AGENTS

Each of the states have specific requirements concerning the licensing of real estate brokers and agents Franchisees must comply with these requirements and Real Living strongly advises prospective franchisees to consult with their own advisors about compliance with these laws Following is a list of these laws

| | |
|---|---|
| Alabama | Code of Alabama, Title 34, Chapter 27 |
| Alaska | Alaska Statutes Title 8, Chapter 88 |
| Arizona | Arizona Revised Statutes, Title 32, Chapter 20 |
| Arkansas | Arkansas Code, Title 17, Chapter 42 |
| California | California Business & Professions Code, Division 4 Pt 1, Chapters 1-3 |
| Colorado | Colorado Revised Statutes, Title 12 Article 61 |
| Connecticut | Connecticut General Statutes, Title 20, Chapter 392 |
| Delaware | Delaware Code, Title 24 Chapter 29 |
| District of Columbia | District of Columbia Code, Title 47, Chapter 28, Subchapter I-B Part M |
| Florida | Florida Statutes, Title XXXII, Chapter 475 |
| Georgia | Georgia Code, Title 43, Chapter 40 |
| Hawaii | Hawaii Revised Statutes, Title 25, Chapter 467 |
| Idaho | Idaho Code, Title 54, Chapter 20 |
| Illinois | Illinois Compiled Statues, Chapter 225, Act 454 |
| Indiana | Indiana Statutes Title 25, Article 34 1 |
| Iowa | Iowa Code, Title XIII, Subtitle 4, Chapter 543B |
| Kansas | Kansas Statutes Chapter 58, Article 30 |
| Kentucky | Kentucky Revised Statutes, Title XXVI, Chapter 324 |
| Louisiana | Louisiana Revised Statutes, Title 37 Chapter 17 |
| Maine | Maine Revised Statutes, Title 32, Chapter 114 |
| Maryland | Maryland Business Occupations & Professions Article, Title 17 |
| Massachusetts | Massachusetts General Laws, Chapter 112, Sections 87PP - 87DDD½ |
| Michigan | Michigan Compiled Laws, Chapter 339, Article 25 |
| Minnesota | Minnesota Statutes Chapter 82 |
| Mississippi | Mississippi Code, Title 73, Chapter 35 |
| Missouri | Missouri Revised Statutes, Title 22, Chapter 339 |
| Montana | Montana Code, Title 37, Chapter 51 Part 3 |
| Nebraska | Nebraska Revised Code, Sections 81-885 01 - 885 05 |
| Nevada | Nevada Revised Statutes, Chapter 645 |
| New Hampshire | New Hampshire Revised Statutes, Title XXX, Chapter 331-A |
| New Jersey | New Jersey Statutes, Title 45, Chapter 15 |
| New Mexico | New Mexico Statutes, Chapter 61, Article 29 |
| New York | New York Real Property Law, Article 12-A, Sections 440 - 442 |
| North Carolina | General Statutes of North Carolina, Chapter 93A |
| North Dakota | North Dakota Century Code Title 43 Chapter 43-23 |
| Ohio | Ohio Revised Code, Title 47 Chapter 4735 |
| Oklahoma | Oklahoma Statutes, Title 59, Chapter 858 |
| Oregon | Oregon Revised Statutes, Chapter 696 |
| Pennsylvania | The Pennsylvania Code, Title 49, Chapter 35, Section 35 221-35 255 |
| Rhode Island | General Laws of Rhode Island, Title 5, Chapter 5-20 5 |
| South Carolina | South Carolina Code of Laws, Title 40, Chapter 57 |
| South Dakota | South Dakota Codified Laws, Title 36, Chapter 36-21A |

| | |
|---|---|
| Tennessee | Tennessee Code, Title 62, Chapter 13 |
| Texas | Texas Occupations Code Title 7, Subtitle A, Chapter 1101 |
| Utah | Utah Code, Title 61, Chapter 2c, Section 201 |
| Vermont | Vermont Statutes, Title 26 Chapter 41 |
| Virginia | Code of Virginia, Title 54 1, Chapter 21 |
| Washington | Revised Code of Washington, Title 18, Chapter 18 85 |
| West Virginia | West Virginia Code, Chapter 30, Article 40 |
| Wisconsin | Wisconsin Statutes, Chapter 452 |
| Wyoming | Wyoming Statutes, Title 33, Chapter 28 |

**EXHIBIT J**
**TO THE DISCLOSURE DOCUMENT**

**FRANCHISE**
**TERM NOTE**

**FRANCHISE TERM NOTE**

$________ Irvine, California

FOR VALUE RECEIVED, the undersigned, (collectively, "Maker") hereby promises to pay to the order of Real Living Real Estate, LLC, a Delaware limited liability company with its principal place of business at 18500 Von Karman, Suite 400, Irvine, CA 92612 ("Lender"), the principal sum of __________________DOLLARS ($__________), together with interest at _____% per annum on the outstanding balance of said principal sum, commencing at the times and pursuant to the terms hereinafter provided until this Franchise Term Note is paid in full

1 Annual Payments The principal amount of this Franchise Term Note, together with accrued interest, shall be repaid in equal annual installments of principal and interest on the last day of the First Anniversary Year and on the last day of each ensuing Anniversary Year (as such terms are defined in the Real Estate Brokerage Franchise Agreement between ______ and Lender being entered into concurrently herewith, as the same may be amended, modified and in effect from time to time (the "Franchise Agreement")), until paid in full, whether at maturity, by acceleration, or otherwise All remaining principal, together with accrued interest, if any, shall be due and payable in full on the date set forth herein, or the termination or expiration of the term of the Franchise Agreement, whichever occurs first

2 Franchise Agreement Maker and Lender contemplate that so long as no default, breach, or other violation by _____ has occurred and is continuing under the Franchise Agreement, Lender shall apply, against the annual installment of principal and interest, an amount equal to those Continuing Royalties (as such term is defined in the Franchise Agreement) actually paid by _____ to Lender (the "Royalty Rebate") during the twelve months preceding the due date of the annual installment The amount of the Royalty Rebate applied to each installment will not exceed the amount of the applicable annual installment In the event Maker does not qualify for the Royalty Rebate or the Royalty Rebate is not sufficient to pay the annual installment under this Franchise Term Note, then Maker shall immediately pay the annual installment or such shortfall, as the case may be to Lender within ten (10) days of the due date of such annual installment as set forth in this Franchise Term Note

3 Acceleration Upon Default If Maker does not make any payment of principal and accrued interest thereon, if any, when due, or if a default, breach or other violation by ______ under the Franchise Agreement has occurred, then, at the option of Lender, the entire outstanding principal amount of this Franchise Term Note, and any and all accrued and unpaid interest thereon, shall become immediately due and payable without demand, presentment for payment, notice of dishonor, protest and notice of protest, notice of intent to accelerate and notice of acceleration, diligence in collecting or bringing suit against Maker, or any other notice by Lender other than as expressly provided in the Franchise Agreement

4 Prepayment Maker may, upon at least three (3) business days' prior written notice to Lender stating the proposed date and amount of the prepayment, prepay the outstanding balance of principal and interest, if any, of this Franchise Term Note in whole or in part, without premium or penalty If Maker gives Lender notice of a prepayment, Maker shall make the prepayment on the date and in the amount stated in the notice

5 Payments and Computations All payments on account of indebtedness evidenced by this Franchise Term Note shall be made not later than 11 00 A M (Pacific Time) on the day when due in lawful money of the United States All computations of interest shall be made by Lender on the basis of a 365-day year for the actual number of days occurring in the period for which such interest is payable Said payments are to be made at such place as Lender or the legal holders of this Franchise Term Note may, from time to time, in writing appoint, and in the absence of such appointment, then at the principal place of business of Lender as set forth on the first page of this Franchise Term Note

6 Applicable Law Maker represents and agrees that this instrument and the rights and obligations of all parties hereunder shall be governed by and construed under the laws of the state which govern the Franchise Agreement, without regard to the conflicts of law principles of such State

7 Severability The parties hereto intend and believe that each provision in this Franchise Term Note comports with all applicable local, state and federal laws and judicial decisions However, if any provision or provisions, or if any portion of any provision or provisions, in this Franchise Term Note is found by a court of law to be in violation of any applicable local, state or federal ordinance, statute, law, administrative or judicial decision, or public policy, and if such court should declare such portion, provision or provisions of this Franchise Term Note to be illegal, invalid, unlawful, void or unenforceable as written, then it is the intent of all parties hereto that such portion, provision or provisions shall be given force to the fullest possible extent that they are legal, valid and enforceable, that the remainder of this Franchise Term Note shall be construed as if such illegal, invalid, unlawful, void or unenforceable portion, provision or provisions were not contained therein, and that the rights, obligations and interest of Maker and Lender or the legal holders hereof under the remainder of this Franchise Term Note shall continue in full force and effect

8 Maximum Interest Notwithstanding any other provision of this Franchise Term Note or any other agreement between Maker and Lender, nothing herein shall require the Maker to pay, or the holder of this Franchise Term Note to accept, interest in an amount which subjects the holder to any penalty or forfeiture under applicable law, and in no event shall the total of all charges payable hereunder (whether of interest or of such other charges which may or might be characterized as interest) exceed the maximum rate permitted to be charged under applicable law Should Lender or any other holder of this Franchise Term Note receive any payment which is or would be in excess of that permitted to be charged under applicable law, such payment shall have been, and shall be deemed to have been, made in error and shall be held as additional cash collateral for the indebtedness evidenced by this Franchise Term Note

9 Waiver Maker and all parties now or hereafter liable for the payment hereof, whether as endorser, guarantor, surety or otherwise, generally waive demand, presentment for payment, notice of dishonor, protest and notice of protest, notice of intent to accelerate and notice of acceleration, diligence in collecting or bringing suit against any party hereto, and all other notices other than as expressly provided in the Franchise Agreement and agrees to all extensions, renewals, indulgences, releases or changes which from time to time may be granted by the holder hereof and to all partial payments hereon, with or without notice before or after maturity

10 Notices All notices and communications pursuant to or in respect of this Franchise Term Note shall be given as provided in Section 14 07 of the Franchise Agreement

11 Time Time is of the essence as to all dates set forth herein

12 Attorney's Fees In case any payment herein provided for shall not be made in accordance with the terms herein, Borrower further promises to pay all costs of collection and reasonable attorney's fees

DATED AS OF __________, 20___

MAKER

_________________________________

By _____________________________ _________________________________

, as an individual

By _____________________________ _________________________________

, as an individual

**EXHIBIT K**
**TO THE DISCLOSURE DOCUMENT**

**STATEMENT OF PROSPECTIVE FRANCHISEE**
**(2 Versions)**

# STATEMENT OF PROSPECTIVE FRANCHISEE

A The following dates are true and correct

1 ______, 20_____ __________ (date) (initials) — The date on which the undersigned received a Franchise Disclosure Document about the Real Living Real Estate, LLC franchise

______, 20_____ __________ (date) (initials) — The date on which the undersigned was re-disclosed with a current Franchise Disclosure Document, if applicable

________, 20_____ __________ (date) (initials) — The date on which the undersigned was re-disclosed with a current Franchise Disclosure Document, if applicable

2 ________, 20_____ __________ (date) (initials) — The date on which the undersigned executed the Franchise Agreement

3 ________, 20_____ __________ (date) (initials) — The earliest date on which the undersigned delivered cash, check, or other consideration to a Real Living Real Estate, LLC representative

B Acknowledgements and Representations

1 Neither Real Living Real Estate, LLC nor any of its representatives have made any oral, written, or visual claim or representation which contradicts the Franchise Disclosure Document delivered to, or the Franchise Agreement the undersigned executed, except

____________________________________________________________

____________________________________________________________

____________________________________________________________

____________________________________________________________

____________________________________________________________ Initial __________

(If none, the prospective franchisee shall write "none" )

2 The undersigned received a current Franchise Disclosure Document from the Real Living Real Estate, LLC representative at the first face-to-face meeting with a Real Living Real Estate, LLC representative to discuss the possible purchase of a franchise

Initial _________

<u>For Residents and Franchisees located in Maryland Only</u> All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release estoppel or waiver of any liability incurred under the Maryland Registration and Disclosure Law

The above is true and correct to the best of the undersigned's knowledge

Prospective Franchisee (Name of legal entity)

____________________________________________________________

By ________________________________________ Date ____________________

Its ________________________________________

By ________________________________________ Date ____________________

Its ________________________________________

## STATEMENT OF PROSPECTIVE FRANCHISEE

A The following dates are true and correct

| | | |
|---|---|---|
| 1 ______, 20_____ (date) | _________ (initials) | The date on which the undersigned received a Franchise Disclosure Document about the Real Living Real Estate, LLC franchise |
| ______, 20_____ (date) | _________ (initials) | The date on which the undersigned was re-disclosed with a current Franchise Disclosure Document, if applicable |
| _______, 20_____ (date) | _________ (initials) | The date on which the undersigned was re-disclosed with a current Franchise Disclosure Document, if applicable |
| 2 _______, 20_____ (date) | _________ (initials) | The date on which the undersigned executed the Franchise Agreement |
| 3 _______, 20_____ (date) | _________ (initials) | The earliest date on which the undersigned delivered cash, check, or other consideration to a Real Living Real Estate, LLC representative |

B Acknowledgement and Representation

Neither Real Living Real Estate, LLC nor any of its representatives have made any oral, written, or visual claim or representation which contradicts the Franchise Disclosure Document delivered to, or the Franchise Agreement the undersigned executed, except

_______________________________________________

_______________________________________________

_______________________________________________

_______________________________________________

_______________________________________________ Initial _________

(If none, the prospective franchisee shall write "none" )

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

The above is true and correct to the best of the undersigned's knowledge

Prospective Franchisee (Name of legal entity)

_______________________________________________

By _______________________________________ Date ________________

Its _______________________________________

By _______________________________________ Date ________________

Its _______________________________________

**EXHIBIT L**
**TO THE DISCLOSURE DOCUMENT**
**GUARANTEE OF PERFORMANCE**

## Item 23

## 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 Real Living Real Estate, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale

**New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship**

**Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first**

If Real Living Real Estate, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D C , 20580 and the appropriate state agency identified in Exhibit E

The franchisor is Real Living Real Estate, LLC located at 18500 Von Karman Avenue, Suite 400, Irvine, California 92612 Its telephone number is (866) 373-6228

Issuance date May 1, 2017

The franchise sellers for this offering are ______________________________

We authorize the respective state agents identified on Exhibit H to receive service of process for us in the particular state

I received a disclosure document dated May 1, 2017, that included the following Exhibits

| | | |
|---|---|---|
| Exhibit A | - | Franchise Agreement and State-Specific Addenda |
| Exhibit B | - | List of Franchisees |
| Exhibit C | - | List of Franchisees Who Left the System |
| Exhibit D | - | Financial Statements |
| Exhibit E | - | List of State Franchise Administrators |
| Exhibit F | - | Operations Manual and Identity Standards Manual Tables of Contents |
| Exhibit G | - | State-Specific Addenda to Disclosure Document |
| Exhibit H | - | List of Agents for Service of Process |
| Exhibit I | - | Industry Regulations |
| Exhibit J | - | FranchiseTerm Note |
| Exhibit K | - | Statement of Prospective Franchisee |
| Exhibit L | - | Guarantee of Performance |

Date ____________________ Franchisee ________________________________

Print Name of Signatory ______________________

Print Name of Company ______________________