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FRANCHISE DISCLOSURE DOCUMENTA Mailroom

Real Living Real Estate, LLC JUL 17 2019
A Delaware Limited Liability Company
18500 Von Karman Avenue, Suite 400 Department of
Irvine, California 92612 Business Oversight
(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 \$32,345 to \$198,021. 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 the Network Support Department 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, 2019, as amended July 1, 2019

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.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

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:	Amendment Pending
Hawaii:	Amendment Pending
Illinois:	Amendment Pending
Indiana:	Amendment Pending
Maryland:	Amendment Pending
Michigan:	November 25, 2018
Minnesota:	Amendment Pending
New York:	Amendment Pending
North Dakota:	Amendment Pending
Rhode Island:	Amendment Pending
South Dakota:	Amendment Pending
Virginia:	Amendment Pending
Washington:	Amendment Pending
Wisconsin:	Amendment 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

Exhibit A	-	Franchise Agreement
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Exhibit H	-	List of Agents for Service of Process
Exhibit I	-	Industry Regulations
Exhibit J	-	Term Note
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Copies of Receipt

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 Living Network Services, Inc., offered franchises for real estate brokerage businesses from August 1981 through November 2009. It has not offered franchises in other lines of business and did not operate real estate brokerage businesses itself.

We have the following affiliates that offer franchises for real estate brokerage businesses. None of them have offered franchises in other lines of business.

BHH Affiliates, LLC began offering franchises to operate real estate brokerage businesses under the name "Berkshire Hathaway HomeServices" on March 22, 2013. It does not operate real estate brokerage businesses itself as of the date this Franchise Disclosure Document was issued. BHH Affiliates, LLC is a Delaware limited liability and its principal business address is 18500 Von Karman Avenue, Suite 400, Irvine, California 92612.

Reece & Nichols Alliance, Inc. is the franchising subsidiary operation of Reece & Nichols Realtors, Inc. and offers franchises in the States of Kansas and Missouri. It began offering franchises in 2001. Its principal business address is 11601 Granada Lane, Leawood, Kansas 66211.

Roy H. Long Realty Company, Inc. has operated the "Long Realty" real estate brokerage franchise system since 1997. Its principal business address is 900 E. River Road, Suite 100, Tucson, Arizona 85718.

Iowa Realty Co., Inc. has operated the "Iowa Realty" real estate brokerage franchise system since August 1972. Its principal business address is 3501 Westown Parkway, West Des Moines, Iowa 50266.

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

ITEM 2

BUSINESS EXPERIENCE

Eugene "Gino" A. Blefari – Chairman, HSF

On January 16, 2019, Gino Blefari was appointed Chairman of our parent company, HSF, as well as Chief Executive Officer of HSF's parent company, HomeServices of America, Inc. From May 2018 until January 2019 Mr. Blefari served as Chief Executive Officer of Real Living. From April 2017 until January 2019 Mr. Blefari has served as President of Berkshire Hathaway HomeServices (our affiliate), in addition to serving in the roles of Chief Executive Officer of both Berkshire Hathaway HomeServices and HSF Affiliates (our parent company) since January 2015. From June 2014 to December 2014, Mr. Blefari served as a Senior Vice President of HSF in Irvine, California. Previously, Mr. Blefari was the founder of Interio Real Estate Services, Inc., located in Cupertino, California, and served as that company's President and Chief Executive Officer from October 2002 to May 2014.

Allan Dalton – Chief Executive Officer, Real Living

On January 16, 2019, Allan Dalton was appointed as our Chief Executive Officer. From September 2017 until January 2019, Mr. Dalton served as Real Living's Chief Operating Officer. From April 2017 to August 2017 Mr. Dalton was a Consultant for Real Living Real Estate. Previously, Mr. Dalton was the Owner of Dalton Consulting from January 2010 to July 2017.

Chris Stuart – Chief Executive Officer, HSF

On January 16, 2019, Chris Stuart was appointed Chief Executive Officer of our parent company, HSF. From April 2017 until January 2019 Mr. Stuart served as Senior Vice President, Business Development and Operations for our parent company, HSF Affiliates. From January, 2017 to April 2017, Mr. Stuart served as Senior Vice President, Franchise Sales, for both Berkshire Hathaway HomeServices (our affiliate) and Real Living Real Estate. Previously, Mr. Stuart served as Vice President, Franchise Sales for both Berkshire Hathaway HomeServices and Real Living Real Estate from March 2016 to December 2016. From March 2015 to February 2016, Mr. Stuart was Director – Franchise Sales for Berkshire Hathaway HomeServices. 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. Mr. Stuart has an office in Irvine, CA.

Michael Jalbert – Senior Vice President of Sales, HSF

On January 16, 2019, Michael Jalbert was named Executive Vice President, Global Field Operations for our parent company, HSF. From Oct. 10, 2017 to January 2019, Michael Jalbert served as Senior Vice President of Sales for HSF. From March 2016 to October 2017, Mr. Jalbert was senior managing director at Banister International, LLC., From June 2013 to October 2015, he served as president of New Directions, Inc., From November 2008 until October 2015, he was managing director of the executive sponsorship program for Chestnut Hill Partners LLC.

Rosalie Warner – Vice President, Network Services

Ms. Warner has served as Vice President of Network Services for both Real Living Real Estate and Berkshire Hathaway HomeServices since August 2015. Ms. Warner served as the President of Prudential Real Estate from January, 2015 to May, 2018. Ms. Warner was Director of Franchise Sales for Berkshire Hathaway HomeServices from May 2011 to December 2014. Ms. Warner has an office in Irvine, California.

Patricia M. Mansur-Brown – Vice President and General Counsel

Ms. Mansur-Brown has served as our Vice President and General Counsel since October 2012.

David S. Beard – Vice President and Corporate Counsel

Mr. Beard has served as our Vice President and Corporate Counsel since October 2012.

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. As of January 16, 2019, Mr. Peltier is the Executive Chairman of HomeServices of America, Inc., located in Minneapolis, Minnesota. From May 1998 until January 2019, Mr. Peltier served as Chairman and Chief Executive Officer of HomeServices of America, Inc., located in Minneapolis, Minnesota.

Dana D. Strandmo - Member of the Operating Committee of HSF Affiliates, LLC

Mr. Strandmo became a member of the Operating Committee of HSF in October 2012. Mr. Strandmo was named the Senior Vice President and Chief Administrative Officer of HomeServices of America, Inc., located in Minneapolis, Minnesota, in May 2015. From September 2003 to April 2015, Mr. Strandmo was the Senior Vice President, Legal and General Counsel of HomeServices of America, Inc.

ITEM 3

LITIGATION

A. Pending Litigation

No pending litigation requiring disclosure.

B. Past Litigation

GMAC Real Estate, LLC v. Realty Works, LLC, et al. (American Arbitration Association, Chicago, Illinois, Case No. 51 115 00694 08), Realty Works, LLC, et al. v. GMAC Home Services, LLC, et al. (Case No. 3:09CV1057 (WWE)), United States District Court for the District of Connecticut), and GMAC Real Estate LLC v. L. Gardner Graves, Jr., et al. (Case No. 3:10CV815 (RNC)), United States District Court for the District of Connecticut). On May 30, 2008, we initiated an arbitration proceeding against a former franchisee, Realty Works, LLC, L. Gardner Graves, and Julius R. Fialkiewicz seeking money damages in the amount of \$256,481. The defendants filed a counterclaim alleging fraudulent inducement, breach of contract, and violations of statute, seeking money damages in the amount of \$673,448.83. On August 21, 2009, the defendants filed a separate action in federal court seeking money damages in an unspecified amount against GMAC HomeServices, LLC, HR Trust, LLC, HR Trust Services, LLC, Ronald Spain and Janice Acevedo, alleging unfair trade practices, unfair insurance practices, fraud, and civil conspiracy, for allegedly inducing the defendants to enter into the franchise relationship by promising guaranteed health insurance coverage through HR Trust, a third party vendor. That federal court action was voluntarily dismissed by the defendants. In the arbitration proceeding, an order was entered in March 2010 dismissing 13 of the 14 counterclaims, but ruling in favor of the

counterclaim based on an alleged violation of statute. The arbitrator awarded damages of \$54,052.53 plus attorney's fees. On May 25, 2010, we filed an action in federal court to vacate the arbitration award in whole or in part. On December 7, 2011, the United States District Court for the District of Connecticut denied our petition to vacate the award, thereby affirming the arbitrator's award in its entirety. On January 6, 2012, we filed an appeal of the district court's order with the United States Court of Appeals for the Second Circuit. On December 27, 2012, the appellate court affirmed the judgment of the district court. The amount of the arbitration award was subsequently paid to the remaining defendants in 2013.

Laurum Marketing, Inc. v. GMAC Real Estate, LLC (Case No. CV-08-7731, Superior Court of Justice, Ontario, Canada) On September 17, 2008, our area developer and master franchisee in Canada, Laurum Marketing, Inc., filed suit against us seeking, among other things, a declaratory judgment that it was entitled to renew its Area Development Agreement with us upon its expiration in 2011. The Court ruled on January 29, 2009 that the plaintiff had met its obligation to open the designated number of offices required in the Area Development Agreement and that the plaintiff had the right to renew the Area Development Agreement through 2021. Laurum Marketing, Inc., et al. v. GMAC Real Estate, LLC and GMAC Home Services, Inc. (Case No. 09-8345-00CL, Superior Court of Justice, Commercial List, Ontario, Canada). On September 18, 2009, our area developer and master franchisee in Canada Laurum Marketing, Inc. filed suit against us alleging, among other things, that we failed to provide sufficient 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 Living 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 sought 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 were untimely and that the franchise agreement should be canceled as void for failure of consideration. The defendants' 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.

Christopher Moehrl, Michael Cole, Steve Darnell, Valerie Nager, Jack Ramey, Sawbill Strategic, Inc., Daniel Umpa and Jane Ruh on behalf of themselves and others similarly situated v. The National Association of Realtors, Realogy Holdings Corp., HomeServices of America, Inc., BHH Affiliates, LLC, HSF Affiliates, LLC, The Long & Foster Companies, Inc., Re/Max LLC, and Keller Williams Realty, Inc., (Case Nos. 1:19-cv-01610 and 1:19-cv-02544, United States District Court for the Northern District of Illinois); and Joshua Sitzer and Amy Winger, Scott and Rhonda Burnett, and Ryan Hendrickson, on behalf of themselves and all others similarly situated v. The National Association of Realtors, Realogy Holdings Corp., HomeServices of America, Inc., BHH Affiliates, LLC, HSF Affiliates LLC, the Long & Foster Companies, Inc., RE/Max LLC, and Keller Williams Realty, Inc. (Case No. 4:19-cv-00332, United States District Court for the Western District of Missouri). On March 6, 2019, plaintiff Christopher Moehrl filed a putative class action against The National Association of REALTORS® and other named defendants (Case No. 1:19-cv-01610). On June 14, 2019, the consolidated amended class action complaint referenced above was filed in the United States District Court for the Northern District of Illinois (the "Amended Moehrl Complaint"). The Amended Moehrl Complaint named additional plaintiffs, added to, amended and supplemented the facts and allegations set forth in the original complaint, and included our parent company, HSF Affiliates LLC, as an additional defendant. On June 21, 2019, plaintiffs Joshua Sitzer, Amy Winger, Scott and Rhonda Burnett, and Ryan Hendrickson filed a complaint (the "Sitzer Complaint") that is virtually identical to the Amended Moehrl Complaint. In both the Amended Moehrl Complaint and the Sitzer Complaint, the respective plaintiffs claim that the defendants have engaged in a continuing conspiracy to unreasonably restrain trade and commerce in violation of Section 1 of the Sherman Act, because defendant The National Association of Realtors ("NAR"), established mandatory anticompetitive policies for multiple listing services and their respective member brokers by requiring listing brokers to offer a commission to buyer brokers pursuant to NAR's "Buyer Broker Commission Rule". Plaintiffs further allege that the defendant franchisors, including Franchisor, aided in these anticompetitive practices by requiring their respective franchisees to comply with NAR's policies and Code of Ethics. Plaintiffs seek a determination that the defendants have engaged in illegal conduct, as well as a permanent injunction enjoining the defendants from requiring listing brokers to pay a commission to buyer brokers or to otherwise restrict competition among buyer brokers, and an

award of damages and/or restitution, attorneys' fees and costs of suit. HSF Affiliates LLC denies all the allegations set forth in the Amended Mochrl Complaint and the Sitzer Complaint, and will vigorously defend this action.

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 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 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	A sliding scale of 5% to 1% of annual gross revenues. The minimum annual royalty fee for	Royalties calculated on Gross Revenue are due on the business day after	See Note 3

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
	this option is \$7,500.	transactions are reported.	
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
National Event Registration Fee	Standard registration fee for 1 person: approximately \$559	The first day of the year in which the event is to be held	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 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.	Upon receipt of invoice	See Note 12
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

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
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.

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.

<u>Greater Than</u>	<u>To</u>	<u>Continuing Royalty</u>
\$ 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.

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.

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.

Royalty fees are due with respect to 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 will periodically arrange a national business conference, at which franchisees participate in various programs with us and other franchisees. For the national event, You must pay separate registration fees for twenty percent (20%) of the total number of real estate sales professionals employed or otherwise contracted by You as of December 31 of the previous year. 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 Type of expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When due	Column 5 To whom payment is to be made
Initial Franchise Fee (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 (Note 2)	\$0 to \$38,081	As incurred	Before opening	Vendors

Column 1 Type of expenditure	Column 2 Amount	Column 3 Method of Payment	Column 4 When due	Column 5 To whom payment is to be made
Real Estate (3 months rent & security deposit) (Note 3)	\$4,500 to \$11,250	As incurred	Monthly	Landlord
Furniture, Fixtures, Equipment (Note 4)	\$0 to \$66,128	As incurred	Before opening	Vendors
Building sign(s) (Note 5)	\$1000 to \$5,000	Lump sum	Before opening	Local vendors using brand approved specifications.
Miscellaneous opening costs (Note 6)	\$2,645 to \$7,934	As incurred	Before opening	Suppliers, utilities, vendors, etc.
Opening inventory (Note 7)	\$3,000 or more	Lump sum	Before opening	Vendors
Additional funds (3 months) (Note 8)	\$0 to \$44,428	As incurred	As incurred	Suppliers, utilities, vendors, etc.
Totals	\$32,345. to \$198,021.	(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. Costs will vary, especially if you are a start-up business as opposed to an existing brokerage. 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, 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 \$3,200 for an office with 10 agents and 50 listings. Each additional agent would add between \$240 and \$300 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 a 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 Brand Usage Guidelines. 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 1.0-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/Operations 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
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

	Obligation	Section in agreement	Disclosure document item
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:

- 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.
- The amount financed will be a portion of the total amount required to convert your existing business to a Real Living brokerage. The costs of conversion will include costs such as new exterior signs for your Real Living brokerage, yard signs for agents, stationery and marketing materials. (A copy of the franchise term note for conversion costs is attached to this disclosure document as Exhibit J.)
- The term can range from 120 – 180 months and will in most circumstances be identical to the term of your Franchise Agreement.
- Franchise Term Notes, conversion costs or other obligations will bear interest at an annual rate ranging from 7.5% (APR of 7.5%) to 15.0% (APR of 15.0%) if priced using a fixed rate of interest, and a range of between Prime and Prime + 2.5% if priced using a floating rate, and will be payable under the terms of a promissory note evidencing the debt.

5. Amounts financed will be repaid in annual installments. In certain circumstances we may offer you an annual rebate of a portion of your Continuing Royalty payments for the purpose of applying the rebate amount as a credit against the annual installment payment due under your franchise term note.

6. Promissory notes will not impose prepayment penalties but will provide for acceleration of payment of principal if a default occurs, either under the promissory note or if you default under the Franchise Agreement.

7. Real Living may also require that any note be secured by real or personal property.

8. All notes will provide that a failure to make payments under the note will also cause you to be in default of the Franchise Agreement. Real Living will require your principals and their spouses to personally guarantee the debt. All notes require you to waive diligence, demand, presentment for payment, notice of non-payment, protest and notice of protest, notice of intent to accelerate and notice of acceleration, diligence in collecting or bringing suit against any party and notice of any renewals, extensions, and amendments to or modifications of the note, as well as the claiming of any statute of limitations as a defense. Repayment arrangements may include payment to Real Living or its affiliate of an override above continuing royalties, which is then used to pay interest and principal. Real Living does not intend to assign or discount to any third party any note, contract or other instrument executed by its franchisees, but Real Living reserves all rights to do so.

Other than as described above, we do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

ITEM 11

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

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

Pre-Opening Obligations

Before you begin operating under our Marks, we will:

(i) Provide you with guidelines regarding the use of the Marks (See Franchise Agreement, Section 7.01)

(ii) Evaluate your request to use a domain name containing the words "Real Living" for your use during the term of the Franchise Agreement (See Franchise Agreement, Section 7.02).

(iii) Begin transition consultation and integration support within 30 days after you sign the Franchise Agreement (See Franchise Agreement, Section 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 Brand Usage Guidelines (See Franchise Agreement, Section 9.05(c)).

Ongoing Obligations

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).

Site Selection

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 with an internet connection with adequate bandwidth.

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 \$1,000 to \$4,000.

You must also install, be trained on and use one of the real estate software systems we have approved or must report in a manner approved by us.

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.

As stated in the franchise agreement, regardless of the reporting method, transactions must be reported within 7 days of closing.

If we change the approved broker management system you must use, we will give you at least 60 days' notice and you must use the new approved broker management system within 120 days after our notice.

You must maintain a software support agreement, comply with the approved BMS supplier's support policy, or purchase updated software versions, to ensure your installed application will always have the most current software, compliant with current Real Living specifications.

For most Franchisees, installation and use of the BMS and fulfilling transaction reporting requirements will require any compatible personal computer with an Internet connection with adequate bandwidth. Each BMS program has different minimum requirements; consult with the

BMS suppliers for information on specific hardware requirements. The chart below provides additional information on costs and requirements.

Real Living requires you to keep the computer hardware in working condition and ensure such hardware and minimum required operation software be adequate to conduct business on a day-to-day basis. It remains the franchisee's responsibility to purchase and maintain hardware and software to operate the business. Upgrades to the hardware may be required if the BMS supplier requires an upgrade or if the hardware becomes unable to perform the required functions for electronic transaction reporting. Real Living does not provide computer hardware to franchisees.

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 Brand Usage Guidelines with a total of 45 pages. Copies of the tables of contents are included as Exhibit F to this disclosure document.

Career 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 may 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. This date is contingent upon Real Living or its vendor receiving full approval and access to a listing feed of your MLS data. 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 training 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.

The Global Network Training team is responsible for the effective development, and management of all educational programming to the System's franchisees. The team members each have a minimum of five years' real estate experience including sales, management, and training roles. The team is led by Mr. Robert Watson. Mr. Watson has 30 years of experience real estate sales, management, company ownership and real estate franchise experience at the corporate level.

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	60 minutes	0	On-line or on-site meeting or other means of electronic communication selected by Franchisor
Lead Routing Set Up	60 minutes	0	On-line or on-site meeting or other means of electronic communication selected by Franchisor
Profile Manager / Roster Management	60 minutes	0	On-line meeting or other means of electronic communication selected by Franchisor
Total	3 hours	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.

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Following is information on franchisee and sales professional orientation training:

TRAINING PROGRAM

Column 1 Subject	Column 2 Hours of Classroom Training	Column 3 Hours of On-The-Job Training	Column 4 Location
Agent Orientation & Productivity Tools Training	3 hours	0	Local venue selected by you or via on-line meeting or other means of electronic communication selected by Franchisor
Real Living 360 Service®	1.5 hours	0	Online Training
Real Living Customized Home Marketing System SM	6 hours	0	Online Training
Total	10.5 hours	0	

We also provide ongoing and refresher training. Training is delivered via web-based training (WBT), live webinars, 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®" certification training. Real Living 360 Service® is our proprietary service delivery program 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. Real Living Customized Home Marketing SystemSM

The Real Living Customized Home Marketing SystemSM is our proprietary home marketing system whereby we elevate listing presentations to marketing proposals. The Real Living Customized Home Marketing SystemSM certification training is required prior to using the system and all related materials, to include Real Living Home of Lifestyle AdvisorsSM, and Real Living, Real AnswersSM. We may change the name of this program or its components at any time. There is no fee for this training.

5. Staff Training Courses

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

6. 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.

7. 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 Brand Usage Guidelines. 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.

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 Interio Real Estate Services, Inc., and franchises real estate brokerages using the "Interio Real Estate" and "Interio Resorts" service marks. Interio 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®	5,023,597	August 16, 2016	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 Brand Usage Guidelines, 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, Brand Usage Guidelines 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 Brand Usage Guidelines. However, we may not change your fundamental status and rights under the Franchise Agreement.

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 cause	Section 11.01 of the Franchise Agreement	We can terminate only if you 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,

Provision	Section in franchise or other agreement	Summary
		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 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

Provision	Section in franchise or other agreement	Summary
		Manual and the Brand Usage Guidelines 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 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

Provision	Section in franchise or other agreement	Summary
		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. 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.

Provision	Section in franchise or other agreement	Summary
		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 Brand Usage Guidelines.
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 outlets operating under the "Real Living" name. We have no company-owned outlets. 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 2016 to 2018

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2016	232	224	-8
	2017	224	179	-45
	2018	179	169	-10
Company- Owned	2016	0	0	0
	2017	0	0	0
	2018	0	0	0
Total Outlets	2016	232	224	-8
	2017	224	179	-45
	2018	179	169	-10

Table No. 2

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2016 to 2018**

Column 1	Column 2	Column 3
State	Year	Number of Transfers
Massachusetts	2016	0
	2017	1
	2018	1
Virginia	2016	1
	2017	1
	2018	0
Total	2016	1
	2017	1
	2018	0

Table No. 3

**Status of Franchised Outlets
For years 2016 to 2018**

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Termina- tions	Non- Renewals	Reacquired by Franchisor	Ceased Opera- tions- Other Reasons*	Outlets at End of the Year
Alabama	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Arizona	2016	4	0	0	0	0	0	4
	2017	4	0	0	1	0	0	3
	2018	3	0	0	0	0	0	3
California	2016	19	0	0	0	0	1	18
	2017	18	0	0	1	0	3	14
	2018	14	0	0	0	0	0	14
Colorado	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	1	0	2	0	0	2
Connecticut	2016	7	0	0	0	0	0	7
	2017	7	3	0	3	0	1	6
	2018	6	0	0	0	0	2	4
Florida	2016	29	0	1	0	0	2	26
	2017	26	2	5	0	0	0	23
	2018	23	2	4	2	0	0	19
Georgia	2016	4	1	0	0	0	0	5
	2017	5	1	0	0	0	0	6
	2018	6	0	0	0	0	0	6
Illinois	2016	5	1	0	0	0	0	6
	2017	6	1	0	1	0	0	6
	2018	6	0	0	0	0	1	5
Indiana	2016	7	0	1	0	0	0	6
	2017	6	1	1	0	0	2	4
	2018	4	0	0	2	0	0	2

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Termina- tions	Non- Renewals	Reacquired by Franchisor	Ceased Opera- tions- Other Reasons*	Outlets at End of the Year
Kentucky	2016	2	0	0	1	0	0	1
	2017	1	1	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Louisiana	2016	2	1	0	0	0	1	2
	2017	2	1	0	0	0	0	3
	2018	3	0	0	0	0	0	3
Maryland	2016	4	0	0	0	0	0	4
	2017	4	0	0	0	0	0	4
	2018	4	1	0	0	0	0	5
Massachusetts	2016	11	1	0	0	0	0	12
	2017	12	0	0	0	0	1	11
	2018	11	0	0	0	0	0	11
Michigan	2016	16	3	1	0	0	0	18
	2017	18	0	0	0	0	0	18
	2018	18	1	0	0	0	0	19
Minnesota	2016	5	0	0	0	0	0	5
	2017	5	1	1	0	0	0	5
	2018	5	2	4	0	0	0	3
Mississippi	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Missouri	2016	4	0	0	0	0	0	4
	2017	4	1	0	0	0	0	5
	2018	5	0	0	0	0	0	5
Montana	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Nebraska	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
New Jersey	2016	5	0	0	0	0	1	4
	2017	4	0	0	0	0	0	4
	2018	4	0	0	0	0	0	4

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Termina- tions	Non- Renewals	Reacquired by Franchisor	Ceased Opera- tions- Other Reasons*	Outlets at End of the Year
New Mexico	2016	1	0	0	1	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
New York	2016	6	0	2	0	0	0	4
	2017	4	0	2	0	0	0	2
	2018	2	2	4	0	0	0	0
North Carolina	2016	9	4	0	0	0	0	13
	2017	13	0	0	1	0	4	8
	2018	8	2	0	0	0	0	10
Ohio	2016	23	0	0	1	0	2	20
	2017	20	0	0	0	0	0	20
	2018	20	1	0	2	0	0	19
Oklahoma	2016	1	0	0	1	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
Pennsylvania	2016	5	1	0	1	0	0	5
	2017	5	0	0	0	0	0	5
	2018	5	0	0	0	0	0	5
Puerto Rico	2016	4	0	0	0	0	0	4
	2017	4	0	4	0	0	0	0
	2018	0	0	0	0	0	0	0
Rhode Island	2016	23	0	0	0	0	0	23
	2017	23	0	0	23	0	0	0
	2018	0	0	0	0	0	0	0
South Carolina	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	2	0	0	0	0	3
Tennessee	2016	2	0	0	0	0	0	2
	2017	2	0	0	1	0	0	1
	2018	1	0	0	0	0	0	1
Texas	2016	10	0	0	3	0	0	7
	2017	7	0	0	2	0	0	5
	2018	5	0	0	0	0	0	5

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Termina- tions	Non- Renewals	Reacquired by Franchisor	Ceased Opera- tions- Other Reasons*	Outlets at End of the Year
Virginia	2016	4	0	0	0	0	0	4
	2017	4	0	0	1	0	0	3
	2018	3	0	0	0	0	0	3
Washington	2016	6	0	0	0	0	0	6
	2017	6	1	0	0	0	0	7
	2018	7	0	0	0	0	0	8
West Virginia	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	2	3	0	0	0	1
Wisconsin	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Wyoming	2016	3	0	0	1	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Total	2016	232	13	5	9	0	7	224
	2017	224	13	13	34	0	11	179
	2018	179	16	15	8	0	3	169

* 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). These are offices that were used for purely administrative purposes or for the housing of relocation administration personnel only, temporary tract sales offices, new home subdivisions or developments to sell property in those subdivisions or developments and information kiosks, as well as offices that were not profitable or with respect to which the lease expired. There were eleven such offices that closed during the calendar year 2018, 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 2016 to 2018**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
All States Totals	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0

Table No. 5

Projected Openings as of December 31, 2018

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet In The Next Fiscal Year	Column 4 Projected New Company- Owned Outlet In the Next Fiscal Year
Arkansas	0	1	0
California	0	2	0
Florida	0	1	0
Illinois	0	1	0
Massachusetts	0	1	0
New Hampshire	0	1	0
New Jersey	0	2	0
New York	0	2	0
Nevada	0	1	0
North Carolina	0	1	0
Ohio	0	1	0

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
South Carolina	0	1	0
Tennessee	0	1	0
Texas	0	1	0
Vermont	0	1	0
West Virginia	0	2	00
Washington	1	0	00
Total	1	20	0

Exhibit B is a list of franchises open as of December 31, 2018.

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, 2018 and 2017 and (ii) the related consolidated statements of operations, changes in members' capital and cash flows for the years ended December 31, 2018, 2017 and 2016, together with the independent auditors' report thereon. Also included in Exhibit D are an unaudited consolidated balance sheet of HSF as of March 31, 2019 and an unaudited consolidated statement of operations of HSF for the three months ended March 31, 2019*. 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, 2019 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

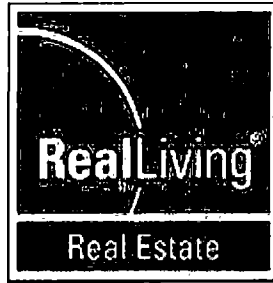
Attached are copies of the following agreements proposed for use in this state:

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.



REAL LIVING REAL ESTATE BROKERAGE FRANCHISE AGREEMENT

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**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.

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.

National Event. The term "National Event" shall mean a conference defined in paragraph 8.04 hereof.

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 Brand Usage Guidelines 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 No Exclusive Territory

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 Reserved Rights

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 Insurance Business

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 Area and Scope of Operation

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 The Original Locations

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 Permission to Close or Relocate

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 Additional Locations

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 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:

<u>Greater Than</u>	<u>To</u>	<u>Continuing Royalty</u>
\$ 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%

(b) The 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.

(c) 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.

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

(e) 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 Continuing Royalty 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 Continuing Royalty 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 Continuing Royalty into the Depository Checking Account immediately when payable under this subparagraph or the following subparagraph hereof. Franchisee's Continuing Royalty 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 Continuing Royalty 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 Continuing Royalty rate.

(f) Notwithstanding the preceding subparagraph, at Franchisee's option, said Continuing Royalty 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 Continuing Royalty shall be payable upon the actual receipt directly or indirectly of said commission, or portion thereof, by the Franchisee. For purposes of calculating

the Continuing Royalty, deferred commissions shall be included in Gross Revenues only upon receipt.

(g) 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 Continuing Royalty 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".

(h) For each Anniversary Year, Franchisee's minimum Continuing Royalty will be equal to Seven Thousand Five Hundred Dollars (\$7,500). 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

5.03 Referral Fees

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 Late Charge

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 No Accord or Satisfaction

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 Taxes Upon Payments to Franchisor

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 Term

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 No Renewal Rights

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 Notice of Expiration Required by Law

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 License

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 Use of Service Marks in Electronic Commerce

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 Brand Usage Guidelines 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 Brand Usage Guidelines 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 Acts in Derogation of the Service Marks

(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 Use and Modification of Service Marks

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 Use of Other Trademarks

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 Prohibition Against Disputing Franchisor's Rights

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 Service Mark Infringement Claims and Defense of Service Marks

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 Display of Service Marks Material Consideration

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 National Event.

Periodically, Franchisor will arrange national business conference for franchisees at which franchisees may participate in various programs with Franchisor and other franchisees. Franchisee shall purchase one (1) National Event full registration package for each of its Locations for each National Event Franchisor arranges. Approximately 30-60 days after such National Event, Franchisor shall automatically deduct any registration requirement shortfalls 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 Reporting and Computer Software System Requirements

(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 Communications Systems and Hardware

(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 Brand Usage Guidelines 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 Brand Usage Guidelines 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 Brand Usage Guidelines 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 Brand Usage Guidelines 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 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 examiners 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 Brand Guidelines, (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 Review

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 Compliance with Laws

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 No Other Real Estate Brokerage Businesses

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 Listing Feeds

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 Assignment by Franchisor

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 Assignment by Franchisee

(a) Restriction on Transfer. 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, in the event Franchisee submits a request for a Transfer of an equity interest greater than ten percent (10%) 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 Franchisee 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 Transfer of Premises

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 Termination With Notice

(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 Description of Default

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 Business Judgment

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), (iii) JAMS Rule 6(e) and (f) shall not apply, (iv) 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), (v) 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, (vi) 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 (vii) 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 VENUE; SUBMISSION OF ISSUES TO COURT; WAIVER OF RIGHT TO TRIAL BY JURY; LIMITATION OF DAMAGES; CLASS ACTION WAIVER

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 Limitation of Actions

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 Franchisee's Obligations

(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 Rights of Franchisor

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 Indemnity

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 Survival of Covenants

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 Titles of Convenience

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 Gender

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 Severability

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 No Third Party Beneficiaries

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)

Name: _____
Residence
Address: _____

Residence
Telephone
Number: _____

(Signature)

Name: _____
Residence
Address: _____

Residence
Telephone
Number: _____

(Signature)

Name: _____
Residence
Address: _____

Residence
Telephone
Number: _____

(Signature)

Name: _____
Residence
Address: _____

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

Exhibit A
APPROVED BROKER MANAGEMENT SYSTEMS

BMS	Vendor Name & Address	Relationship Contact, Title, Phone & Email
AccountTECH	AccountTECH 574 Boston Road, Suite 8 Billerica, MA 01821	Mark Blagden sales@accounttech.com (781) 276-1555 www.accounttech.com
Guru Solutions	GURU Solutions 6437 Old Bust Head Road Broad Run, VA 20137	Jennifer Theune Jennifer@guru-solutions.com 844-804-6076 https://guru-solutions.com/
LanTrax	LanTrax, Inc. 1967 Wehrle Drive, Ste. 2 Williamsville, NY 14221	Keith Hunter keith.hunter@lantrax.com (866)887-4905 http://www.lantrax.com/
REAL/Easy	LanTrax, Inc. 1967 Wehrle Drive, Ste. 2 Williamsville, NY 14221	Keith Hunter keith.hunter@lantrax.com (866)887-4905 http://www.lantrax.com/
Emphasys Software	Emphasis Software 9675 NW 117 Avenue Suite 305 Miami, FL 33178	Andrew Seminari andrew.seminari@constellationreg.com (888) 661-1002 Ext. 6636 www.emphasys-software.com
Direct Data Entry (Real Living Business Center Transaction Reporting)	Customer Success Team (855)422-9052	Not suggested for more than 20 transactions per month Management reports not available.

Electronic Transaction Reporting Available Soon

EXHIBIT B

ORIGINAL LOCATIONS AND OTHER OFFICES

The following are the Franchisee's Original Locations, including 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.	
%			%

EXHIBIT C, P.2

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. _____

_____ %

EXHIBIT C, P.4

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

[]
[]
[]

EXHIBIT B
TO THE DISCLOSURE DOCUMENT
LIST OF FRANCHISEES AS OF 12/31/2018



Real Living Real Estate LLC
Franchisees as of 12/31/2018
 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
California							
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	3
Real Living Premier Realty	23180 Hemlock Ave. #100	Moreno Valley	CA	92557	(951) 571-9800	Harry Schwier	1
Real Living Properties Unlimited	6642 Carmelien St.	Rancho Cucamonga	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	Sonoma	CA	95370	(209) 533-4242	Emmett Brennan	4
Colorado							
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	CO	80234	(720) 880-2288	Jacqueline Nordström	1
Connecticut							
Real Living Scalzo Group Real Estate	2 Stony Hill Rd.	Bethel	CT	06801	(203) 790-7077	Adrienne Qui	1
Real Living Wareck D'Ostilio	47 High St.	New Haven	CT	06510	(203) 787-7800	John Wareck	2
Real Living Wareck D'Ostilio	129 Church Street, Suite 305	New Haven	CT	06510	(203) 787-6888	John Wareck	1
Florida							
Real Living 1st Choice Realty	5691 Coral Ridge Dr.	Coral Springs	FL	33065	(954) 334-4622	John Martinelli	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 Casa Fina Realty	5383 Primrose Lake Cir., Ste. G	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	3
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 Southern Realty	12134 South Main Street	Trenton	GA	30752	(706) 657-2353	Vicki McBryar	1



Real Living Real Estate LLC
Franchisees as of 12/31/2018
 By State and City

Franchisee Business Name	Franchisee Mailing Address	City	State	Zip	Phone Number	Primary Contact	Offices
Georgia (continued)							
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
Indiana							
Real Living Resource Real Estate	5936 E. State Blvd.	Fort Wayne	IN	46802	(260) 420-7653	Michael Litchin	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
Freedom Realty & Property Management, Inc.	624 W. Lexington Avenue	Winchester	KY	40391	(859) 744-3766	Greg Wood	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	2
Maryland							
Real Living At Home	4600 North Park Avenue, Suite 100	Chevy Chase	MD	20815	(301) 652-0643	Jason Sherman	5
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	4
Real Living Barbera Associates	451 Grove Street	Worcester	MA	01605	(508) 852-4227	Raymond Barbera	1
Michigan							
Real Living Kee Realty	15501 Metropolitan Parkway, #105	Clinton Township	MI	48036	(586) 286-4600	John Meesseman	7
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
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	2



Real Living Real Estate LLC
Franchisees as of 12/31/2018
 By State and City

Franchisee Business Name	Franchisee Mailing Address	City	State	Zip	Phone Number	Primary Contact	Offices
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 Rd, 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	2
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
North Carolina							
Real Living Carolinas Real Estate	6000 Fairview Road, Ste. 104	Charlotte	NC	28210	(704) 502-5580	Kathleen N. Rebhan	1
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 Lifestyles Realty Group	697 Hillsboro Street, Ste. 103	Pittsboro	NC	27312	(919) 337-8331	Lori Ann Golden	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	2
Ohio							
Real Living Volpini Realty Group	7098 Lockwood Blvd, Suite 7102	Boardman	OH	44514	(330) 757-1300	Marisa Volpini	2
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	3
Real Living McCarthy Real Estate	318 Second Street	Marietta	OH	45750	(740) 373-1523	Steve McCarthy	3
Real Living Darby Creek	32 S. Main Street	Mechanicsburg	OH	43044	(937) 834-7653	Lisa Yates	2
Real Living Home Team	1485 Yaeger Road, P.O. Box 1091	Mt. Vernon	OH	43050	(740) 393-3777	David Culbertson	2
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	1
Real Living Action Realty	2551 Baglyos Circle Suite A-17	Bethlehem	PA	18020	(610) 691-1777	Eileen Cowell	1



Real Living Real Estate LLC
Franchisees as of 12/31/2018
By State and City

Franchisee Business Name	Franchisee Mailing Address	City	State	Zip	Phone Number	Primary Contact	Offices
Pennsylvania (continued)							
Real Living Real Estate Experts	224 Liberty St.	Warren	PA	16365	(814) 723-3910	Karlene Smith	2
Real Living Spectrum Real Estate	3312 7th Street	Whitehall	PA	18052	(610) 439-1491	Kenneth Snyder	1
South Carolina							
Real Living Lake Murray Realty	2805 Hwy 378	Gilbert	SC	29054	(803) 445-8911	Randy Walston	1
Real Living At the Beach	727 Wachesa Road	Murrells Inlet	SC	29576	(843) 357-8500	Carl "Skip" Brodhun II	1
Real Living Home Realty Group	1232-B Farrow Parkway	Myrtle Beach	SC	29577	(843) 450-1715	James Parker	1
Tennessee							
Real Living Sterling Properties	106 Mission Court, Suite 105	Franklin	TN	37067	(615) 628-3232	Charles Caudell	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
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
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	5
West Virginia							
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

Franchisees Who Signed a Franchise Agreement in 2017, But Did Not Become Active Until After 12/31/2017

Franchisee	Address	City	State	Zip	Phone	Primary Contact	
Real Living By the Bay Realty	1306 11th Street	Bellingham	WA	98225	(360) 393-0793	Christine Farkas	1

EXHIBIT C
TO THE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES WHO LEFT THE SYSTEM AS OF 12 31 2018



Real Living Real Estate LLC
***Former Franchisees as of 12/31/2018**

By State and City

Franchisee Business Name	Primary Contact	Last Known Address	Affiliate City/Province/Zip	Affiliate Phone Number	Reason for Termination	Offices
COLORADO						
KOGA Group, LLC	Albert Galperin	480 South Holly Street	Denver, CO 80246	(303) 377-8100	Non Renewal	2
FLORIDA						
Infinity International Properties, Inc.	Tom Stravecky	1209 E. Las Olas Blvd.	Fort Lauderdale, FL 33301	(954) 653-5000	Non Renewal	2
PRF, LLC	John Craft	1977 Dunee Drive	Winter Park, FL 32792	(407) 379-2378	Mutual Termination	4
INDIANA						
Ness Bros. Real Estate & Auction Co., Inc.	Kurt J. Ness / Stephen A.	519 North Jefferson Street	Huntington, IN 46750	(260) 356-3911	Non Renewal	2
MINNESOTA						
1st MSP Realty, LLC	Jerry Young	4827 W. 123rd Street	Savage, MN 55378	(952) 465-0177	Mutual Termination	4
NEW YORK						
Five Corners Properties, Inc.	Jonathan Lerner	300 Heathcoate Road	Scarsdale, NY 10583	(914) 723-5555	Mutual Termination	4
OHIO						
Lil Brodster, LLC	Marsha and Jim Conway	1794 Marion Waldo Road	Marion, OH 43302	(740) 389-5500	Non Renewal	2
WEST VIRGINIA						
Real Living American Dream Real Estate	Edward Staats, III	2613 Dudley Avenue	Parkersburg, WV 26101	(304) 865-1500	Terminated for Cause	3
Total Outlets						23

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

EXHIBIT D
TO THE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

HSF Affiliates LLC

Consolidated Financial Statements
as of December 31, 2018 and 2017
and for the Years Ended
December 31, 2018, 2017 and 2016
and Independent Auditors' Report

HSF AFFILIATES LLC

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INDEPENDENT AUDITORS' REPORT

To the Members of
HSF Affiliates LLC:

We have audited the accompanying consolidated financial statements of HSF Affiliates LLC and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in members' capital, and cash flows for the three years ended December 31, 2018, 2017 and 2016, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HSF Affiliates LLC and its subsidiaries as of December 31, 2018 and 2017, and the results of their operations, changes in members' capital and cash flows for each of the three years ended December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

February 28, 2019

HSF AFFILIATES LLC

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2018 AND 2017

(In thousands)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash	\$ -	\$ 9,573
Accounts receivable — net of allowances of \$10 and \$290, respectively	4,010	3,680
Accounts and notes receivable — related parties	31,792	627
Accounts receivable — marketing fee (Note 5)	1,890	-
Notes receivable — current — net of allowances of \$158 and \$17, respectively	5,858	4,901
Other current assets	5,225	6,492
Income taxes receivable	186	166
Total current assets	<u>48,961</u>	<u>25,439</u>
Noncurrent assets:		
Notes receivable — net of allowances of \$765 and \$394, respectively	42,018	33,637
Notes receivable — related party	1,032	909
Property and equipment — net (Note 4)	6,049	4,099
Other noncurrent assets	1,062	1,441
Total noncurrent assets	<u>50,161</u>	<u>40,086</u>
Total assets	<u>\$ 99,122</u>	<u>\$ 65,525</u>
LIABILITIES AND MEMBER'S CAPITAL		
Current liabilities:		
Accrued expenses and accounts payable	\$ 10,279	\$ 9,973
Unexpended marketing fees (Note 5)	-	3,292
Due to related parties — net (Note 6)	161	874
Other current liabilities	1,664	1,175
Total current liabilities	<u>12,104</u>	<u>15,314</u>
Long-term liabilities:		
Other long-term liabilities	129	121
Total liabilities	<u>12,233</u>	<u>15,435</u>
Commitments and contingencies (Note 7)	-	-
Member's capital	<u>86,889</u>	<u>50,090</u>
Total liabilities and member's capital	<u>\$ 99,122</u>	<u>\$ 65,525</u>

See notes to consolidated financial statements.

HSF AFFILIATES LLC

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016 (In thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues:			
Royalty fees — net	\$ 60,327	\$ 58,363	\$ 54,206
Revenue from related parties	21,637	20,114	18,511
Other revenue — net	<u>6,053</u>	<u>10,090</u>	<u>8,362</u>
Total revenues	88,017	88,567	81,079
Selling, general, and administrative expenses	<u>48,377</u>	<u>37,108</u>	<u>44,054</u>
Operating income	39,640	51,459	37,025
Interest and other income	3,596	3,538	2,980
Income tax expense	<u>121</u>	<u>118</u>	<u>80</u>
Net income	<u>\$ 43,115</u>	<u>\$ 54,879</u>	<u>\$ 39,925</u>

See notes to consolidated financial statements.

HSF AFFILIATES LLC

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S CAPITAL FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(In thousands)

	<u>Member's Capital</u>	<u>Accumulated Earnings</u>	<u>Total</u>
Balance — December 31, 2015	\$ 34,696	\$ 7,581	\$ 42,277
Net income	-	39,925	39,925
Distributions	-	(39,481)	(39,481)
Balance — December 31, 2016	34,696	8,025	42,721
Net income	-	54,879	54,879
Distributions	-	(47,510)	(47,510)
Balance — December 31, 2017	34,696	15,394	50,090
Net income	-	43,115	43,115
Distributions	-	(6,316)	(6,316)
Balance — December 31, 2018	<u>\$ 34,696</u>	<u>\$ 52,193</u>	<u>\$ 86,889</u>

See notes to consolidated financial statements.

HSF AFFILIATES LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016 (In thousands)

	2018	2017	2016
Cash flows from operating activities:			
Net income	\$ 43,115	\$ 54,879	\$ 39,925
Adjustments to reconcile net income to net cash flows from operating activities:			
Provision for doubtful accounts	509	(346)	(575)
Depreciation	1,122	655	736
Loss on disposal of property and equipment	-	103	-
Amortization of landlord incentives	(27)	(27)	(106)
Changes in assets and liabilities:			
Accounts and notes receivable	1,793	1,970	3,395
Accounts receivable — related parties	(31,034)	30	30
Due to related parties	(713)	52	42
Unexpended marketing fees	(5,182)	(41)	(796)
Other current and noncurrent assets	146	(5,152)	(564)
Accrued expenses and accounts payable	(5,590)	(4,697)	(4,445)
Other current liabilities	489	458	31
Income taxes	(20)	(55)	(35)
Other long-term liabilities	35	15	(47)
Net cash flows from operating activities	<u>4,643</u>	<u>47,844</u>	<u>37,591</u>
Cash flows from investing activities:			
Issuances of notes receivable to franchisees	(10,780)	(4,493)	(3,455)
Payments received on notes from franchisees	6,004	5,556	4,995
Payments for the purchase of property and equipment	(3,124)	(1,732)	(1,673)
Net cash used in investing activities	<u>(7,900)</u>	<u>(669)</u>	<u>(133)</u>
Cash flows from financing activities — Distribution to members	<u>(6,316)</u>	<u>(47,510)</u>	<u>(39,481)</u>
Net (decrease) increase in cash	(9,573)	(335)	(2,023)
Cash:			
Beginning of year	<u>9,573</u>	<u>9,908</u>	<u>11,931</u>
End of year	<u>\$ -</u>	<u>\$ 9,573</u>	<u>\$ 9,908</u>
Supplemental disclosure of cash flow information — Income taxes paid	<u>\$ 166</u>	<u>\$ 128</u>	<u>\$ 130</u>

See notes to consolidated financial statements.

HSF AFFILIATES LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018 AND 2017 AND FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

HSF Affiliates LLC ("HSF" or the "Company") owns and operates real estate franchise networks and provides sales support, lending, referral, technology, and marketing services to franchisee real estate brokers. HSF's ultimate member is HomeServices of America, Inc. ("HomeServices" or "Member"). As of December 31, 2018, Berkshire Hathaway Energy Company ("BHEC") owned approximately 98% of HomeServices' outstanding common stock. BHEC is a consolidated subsidiary of Berkshire Hathaway, Inc. ("BHI").

Pursuant to a purchase agreement dated October 26, 2012 ("PA"), BRPS LLC ("BRPS") in effect sold two-thirds of its membership interests in HSF to HomeServices. The remaining one-third membership interest was retained by BRPS. Under the PA, BRPS had a put right ("put") to require HomeServices to purchase the one-third membership interest starting after the second anniversary in 2015. And, HomeServices had a call right ("call") to require BRPS to sell to HomeServices the one-third membership after December 31, 2017. The put and the call right were redeemable for cash equal to the option purchase outlined in the PA. The call option was exercised and HomeServices purchased BRPS' one-third membership April 30, 2018.

The Company offers and sells independently owned and operated residential real estate brokerage franchises. In exchange for certain fees, the Company provides the right to use the trademarks, trade names, and other related service marks. The Company provides an initial orientation program, training and consultation services, and advertising programs. The Company also provides loans to certain franchisees (Note 3). The Company's principal market is the United States, and has franchisees in Germany and England.

BHH Affiliates LLC ("BHH") is wholly owned by HSF and operates a real estate franchise network under the trademark "Berkshire Hathaway HomeServices".

Real Living Real Estate, LLC ("RLRE") is wholly owned by HSF and operates a real estate franchise network under the trademark "Real Living."

BRER Affiliates LLC ("BRER") is wholly owned by HSF and operated a real estate franchise network under the trademark "Prudential." On December 6, 2011, Prudential Financial Inc. ("Prudential") sold BRER and its relocation company to BRPS. Under the Prudential sale agreement, BRER may continue to use Prudential's trademark based on the terms of the respective underlying franchise agreements. The last franchise agreement under the Prudential trademark terminated on May 31, 2018.

Residential real estate activity is cyclical in nature and is affected greatly by the general level of economic activity and the cost and availability of long-term mortgage funds. Residential real estate activity and, in turn, the Company's real estate revenue base can be adversely affected during an economic slowdown and/or during periods of high interest rates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The consolidated financial statements were prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America, and include the results of HSF Affiliates LLC and its subsidiaries after elimination of intercompany balances and transactions.

Cash — Cash includes cash deposited with banks. The cash is available for immediate withdrawal. HomeServices transfers excess cash from the Company to a central concentration bank controlled by HomeServices to be redeployed as needed.

Accounts Receivable — Accounts receivable consists of amounts due but not yet collected for royalty, referral, and other service-related fees from broker affiliates. Allowances for doubtful accounts are determined based on aging and specific identification and charged to bad debt expense which is included in selling, general, and administrative expenses in the consolidated statements of operations. Management considers the total allowance for doubtful accounts sufficient to cover the risk that the Company may not recover the full amount of the accounts receivable. Receivables are generally written off against allowances after all reasonable collection efforts are exhausted.

Accounts Receivable — Related Parties — Accounts receivable — related parties consists of the excess net cash swept from the Company by HomeServices (Note 6). Accounts receivable — related parties also consists of transactions between the operating entities and real estate franchise brokerage operations owned by HomeServices. These transactions include royalty fees and related revenue where the operating entity is the franchisor (Note 6).

Notes Receivable — Related Parties — Notes receivable, related parties consist of conversion notes (Note 6) between BHH and real estate franchise brokerage operations owned by HomeServices.

Notes Receivable — Net — The Company measures its estimates of impaired loans in accordance with Financial Accounting Standards Board (“FASB”) guidance on accounting for impairment of loans. Changes in the present value of expected future cash flows of impaired loans are charged or credited to bad debt expense which is included in selling, general, and administrative expenses in the consolidated statements of operations. Additional reserves are recorded to cover the general credit risk inherent in the notes receivable (Note 3). Loans in which payments are delinquent are considered past due. Loans which management considers non-performing are placed on nonaccrual status and interest stops accruing. Subsequent amounts received on the loans are first applied to the principal and interest owed for the most delinquent amount. Interest income accruals are resumed once management classifies the loan as performing.

Property and Equipment — Net — Property and equipment consists of furniture, equipment, software, leasehold improvements, and artwork (Note 4). Property and equipment is stated at cost, less accumulated depreciation. Depreciation is provided utilizing the straight-line method over the estimated useful life of the asset. Property and equipment is tested for impairment whenever events or changes in circumstances suggest that an asset’s carrying value may not be fully recoverable in accordance with current accounting guidance.

Other Current Assets and Other Noncurrent Assets — Other current assets and other noncurrent assets consist of payments made in advance of the actual recognition of the goods or services. The advance payments consist of deposits for events that will be performed in the year 2019 or beyond, or prepaid expenses where the benefit of the goods or services span into the year 2019 or beyond. Other noncurrent

assets also includes 17.5% membership interest in a limited liability company accounted for under the equity method of accounting.

Due to Related Parties — Net — Due to related parties consists of net transactions between the Company and HomeServices, BHEC or its' respective affiliates. These transactions may include, but are not limited to: accruals, payments or collections made by HomeServices, BHEC or its affiliates for the Company (Note 6).

Deferred Revenue — Deferred revenue consists primarily of prepaid royalty fees and cash payments made by franchisees for meetings and events received in advance of the meetings and events, all expected to be earned in the following year. Deferred revenue is classified in other current liabilities in the consolidated balance sheets.

Lease Incentive — In conjunction with entering in to a lease for office space in Irvine, California, in August 2012, a lease incentive was provided by the landlord. The lease incentive is amortized over the lesser of the estimated useful life of the asset or, where applicable, the remaining term of the lease. The amortization is recorded as a reduction of rental expense, which is included within selling, general, and administrative expenses. The portion of the liability that is current is classified in the accompanying consolidated balance sheets in other current liabilities — net of accumulated amortization and the portion that is long term is classified in the accompanying consolidated balance sheets in other long-term liabilities.

Revenue Recognition — Royalty fees are based on either a percentage of the gross commission income from closed real estate transactions or upon the number of sales agents or brokers licensed or associated with the franchisee, or a combination of the two. Royalty fees are reported net of royalty fee credits, rebates on conversion notes receivable (Note 3) and revenue-sharing agreements. Under revenue-sharing agreements the Company is obligated to provide a pro-rata share of royalty fees.

Initial franchise fees are recognized when all significant obligations of the Company are fulfilled and are included in other revenue in the consolidated statements of operations.

Other revenue includes meetings and training revenue, referral fees, late fees, service fees, and franchise termination fees that are primarily earned when services have been completed. In addition, other revenue includes collection of notes above their fair market value. Interest income on notes receivable balances, except certain impaired notes, is recognized over the period in which it is earned, in accordance with the terms of the related note. Interest income on certain impaired notes is recognized on a cash basis.

Income Taxes — HSF is a limited liability company that is not subject to federal corporate income tax, but may be subject to a minimal amount of state and local income tax. The member does not allocate tax expense to the Company.

Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in the Company's financial statements include valuation of accounts and notes receivable allowances.

Recent Accounting Pronouncements — In February 2016, the FASB issued ASU No. 2016-02, which creates FASB ASC Topic 842, "Leases" and supersedes Topic 840 "Leases." This guidance increases

transparency and comparability among entities by recording lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous guidance. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted, and is required to be adopted using a modified retrospective approach. The Company is currently evaluating the impact of adopting this guidance on its Consolidated Financial Statements and disclosures included within Notes to Consolidated Financial Statements. Although the Company is in the process of evaluating the impact of adoption of the ASU on its Consolidated Financial Statements, the Company currently believes the most significant changes will be related to the recognition of new right-of-use assets and lease liabilities on the Company's balance sheet for real estate operating leases.

In May 2014, the FASB issued ASU No. 2014-09, which created FASB ASC Topic 606, "Revenue from Contracts with Customers" ("ASC 606") and superseded ASC Topic 605, "Revenue Recognition." The guidance replaced industry-specific guidance and established a single five-step model to identify and recognize revenue from contracts with customers ("Customer Revenue"). The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Following the issuance of ASU No. 2014-09, the FASB issued several ASUs that clarified the implementation guidance for ASU No. 2014-09 but did not change the core principle of the guidance. The Company adopted this guidance for all applicable contracts as of January 1, 2018, under a modified retrospective method and the adoption did not have a cumulative effect impact at the date of initial adoption.

3. NOTES RECEIVABLE - NET

The Company provides promissory notes on a limited basis to new and existing affiliates. Generally, the principals of the affiliates personally guarantee the notes. Interest rates on the promissory notes range from 5.0% to 12.5%. The original maturity dates of the promissory notes range from 2019 to 2033.

There are two major types of notes receivable issued by the Company: conversion and deferred fee. Conversion notes may be granted to finance conversion and other costs incurred by new or existing franchisees to come into compliance with the Company standards. In certain circumstances, conversion notes receivable balances are repaid via rebates of royalty fees received from the broker affiliate that are applied to the notes receivable balance, including accrued interest. Deferred fee notes may be granted for royalty fees due but not yet paid. Notes receivable is comprised of the following as of December 31 (in thousands):

	<u>2018</u>	<u>2017</u>
Conversion notes	\$ 48,148	\$ 38,672
Deferred fee notes	651	277
Allowance for uncollectible accounts	<u>(923)</u>	<u>(411)</u>
Notes receivable — net	<u>\$ 47,876</u>	<u>\$ 38,538</u>

Approximately 98% and 99% as of December 31, 2018 and 2017, respectively, of the notes receivable balances were evaluated collectively for impairment, and the remainder of the notes receivable balances were evaluated individually for impairment. Management considers the total allowance for uncollectible accounts sufficient to cover the risk that the Company may not recover the full amount of the impaired notes receivable. As part of the evaluation process, credit quality indicators are reviewed and notes receivable are designated as performing or nonperforming. Approximately 98 % and 99%, as of December 31, 2018 and 2017, respectively, of the notes receivable balances were determined to be performing and approximately 98% and 94% of those balances were current as to payment status as of December 31, 2018 and 2017, respectively. The activity in the allowance for uncollectible accounts as of consisted of the following as of December 31 (in thousands):

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 411	\$ 576
Write-offs	(106)	-
Increase/(Release) of loss reserves	<u>618</u>	<u>(165)</u>
Ending balance	<u>\$ 923</u>	<u>\$ 411</u>

4. **PROPERTY AND EQUIPMENT-NET**

Property and equipment, net consists of the following as of December 31 (in thousands):

	Depreciable		
	<u>Life</u>	<u>2018</u>	<u>2017</u>
Software	3-5 years	\$ 8,567	\$ 5,520
Leasehold improvements	5 years	861	861
Furniture and equipment	5 years	428	428
Computer equipment	3-5 years	136	339
Artwork	-	<u>28</u>	<u>28</u>
Total property and equipment		10,020	7,176
Accumulated depreciation		<u>(3,971)</u>	<u>(3,077)</u>
Total property and equipment, net		<u>\$ 6,049</u>	<u>\$ 4,099</u>

5. **MARKETING FEES**

Under the terms of both the BHH and BRER affiliate broker franchise agreements, franchisees are required to contribute marketing fees to the Company, which the Company is required to use to promote and enhance the respective trademarks within the context of its real estate franchise businesses. RLRE does not have a marketing fee program.

In addition to the contributions from the BHH franchisees, the Company contributed \$0 thousand, \$2,000 thousand, and \$2,000 thousand to the BHH marketing fee program for the years ended December 31, 2018, 2017 and 2016, respectively, and is reported in selling, general, and administrative expenses in the accompanying consolidated statements of operations.

As of December 31, 2018 marketing costs expensed exceeded marketing fees received by \$1,890 thousand and is reported as accounts receivable-marketing fees in the accompanying consolidated balance sheets. Unexpended marketing fees liability represent marketing fees received by the Company in excess of marketing costs expensed. The Company had unexpended marketing fees liability for the BHH marketing fee program of \$2,993 thousand as of December 31, 2017 and is reported as unexpended marketing fees liability in the accompanying consolidated balance sheets.

The Company had unexpended marketing fees for the BRER marketing fee program of \$0 thousand and \$299 thousand as of December 31, 2018 and 2017, respectively, reported as unexpended marketing fees liability in the accompanying consolidated balance sheets.

6. RELATED-PARTY TRANSACTIONS

In the ordinary course of business, the Company has transactions with certain related parties. HomeServices transfers excess cash from the Company to a central concentration bank controlled by HomeServices to be redeployed as needed. The net excess cash is reported in accounts receivable—related parties in the accompanying consolidated balance sheet. The Company has franchise agreements with real estate franchise brokers wholly owned by HomeServices. The royalty fees and related revenue earned are reported as revenue from related parties and any unpaid amounts are reported in accounts and notes receivable—related parties in the accompanying consolidated statement of operations and consolidated balance sheets, respectively. Revenue from related parties totaled \$21,637 thousand, \$20,114 thousand and \$18,511 thousand for the years ended December 31, 2018, 2017 and 2016, respectively. The Company also has conversion notes with real estate franchise brokers wholly owned by HomeServices. The affiliated interest is reported in interest income in the accompanying consolidated statements of operations and totaled \$91 thousand, \$77 thousand and \$53 thousand for the years ended December 31, 2018, 2017 and 2016, respectively.

The accounts receivable, for the net excess cash swept by HomeServices, the unpaid royalty fees as well as related revenue earned, and the current portion of the notes receivable from related parties as of December 31 were as follows (in thousands):

	<u>2018</u>	<u>2017</u>
Accounts receivable - related parties	\$ 31,614	\$ 486
Notes receivable - related parties	<u>178</u>	<u>141</u>
Total accounts and notes receivable - related parties	<u>\$ 31,792</u>	<u>\$ 627</u>

The portion of the notes receivable due in the year 2020 or beyond totaled \$1,032 thousand as of December 31, 2018 and is reported in notes receivable – related party in the noncurrent asset section of the accompanying consolidated balance sheets.

During 2018, 2017 and 2016, BHEC, BHI, HomeServices, and affiliated companies of BHI and HomeServices provided services to the Company. Intercompany charges and credits include, but are not limited to: costs for services, including human resources, accounting, information systems, legal costs, and other overhead allocations.

Related-party transactions for services or expenses included in selling, general, and administrative expenses in the accompanying consolidated statement of operations for the years ended December 31 were as follows (in thousands):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
HomeServices	\$ 352	\$ 269	\$ 153
BHEC/BHI	<u>133</u>	<u>169</u>	<u>130</u>
Total services or expenses	<u>\$ 485</u>	<u>\$ 438</u>	<u>\$ 283</u>

The due to related parties totaled \$161 thousand and \$874 thousand as of December 31, 2018 and 2017, respectively.

7. COMMITMENTS AND CONTINGENCIES

The Company may, from time to time, be a defendant in litigation arising in the normal course of business. The Company does not expect such normal and routine litigation to have a material adverse effect on the consolidated financial results.

Included within selling, general, and administrative expenses for the year ended December 31, 2017, is a collected \$7,942 thousand award issued by an arbitrator in favor of one of the Company's subsidiaries in connection with a dispute involving a former franchisee.

The Company rents office space under long-term operating lease agreements and equipment leases. Rental expense, which is included within selling, general, and administrative expenses, incurred for the years ended December 31, 2018, 2017 and 2016 was \$883 thousand, \$716 thousand and \$635 thousand, respectively. Future minimum lease payments under noncancelable operating leases at December 31, 2018, which are not reflected on the consolidated balance sheet, are as follows (in thousands):

2019	\$ 877
2020	767
2021	727
2022	484
2023	-
2024 and thereafter	-
Total future minimum lease payments	<u>\$2,855</u>

8. EMPLOYEE RETIREMENT PLAN

The Company sponsors a defined contribution salary deferral plan ("Plan") covering substantially all employees. Employee contributions to the Plan are subject to regulatory limitations and specific Plan provisions. The Company's contributions are discretionary, but are based primarily on each participant's level of contribution and cannot exceed the maximum allowable for tax purposes. For the years ended December 31, 2018, 2017 and 2016, the Company recognized plan expense of \$475 thousand, \$442 thousand and \$436 thousand, respectively, and is included within selling, general, and administrative expenses in the consolidated statements of operations.

9. SUBSEQUENT EVENTS

The Company has performed an evaluation of subsequent events through February 28, 2019, which is the date the consolidated financial statements were issued. There were no material subsequent events requiring adjustment to or disclosure in the consolidated financial statements.

* * * * *

Interim unaudited financial statements as of March 31, 2019

HSF AFFILIATES LLC
CONSOLIDATED BALANCE SHEET
(in thousands)

	March 31, 2019
Assets	
Accounts receivable, net of allowances of \$135	\$ 4,836
Accounts and notes receivable - related party	3,726
Accounts receivable - marketing fee	4,217
Notes receivable - current, net of allowances of \$157	5,763
Other current assets	3,316
Income taxes receivable	-
Total current assets	21,858
Notes receivable, net of allowances of \$788	41,537
Notes receivable - related party	962
Property and equipment, net of accumulated depreciation of \$4,354	6,657
Leased assets	2,309
Deferred tax assets	177
Other noncurrent assets	1,169
Total noncurrent assets	52,811
Total assets	\$ 74,669
Liabilities and Member's Capital	
Accrued expenses and accounts payable	\$ 10,681
Income taxes payable	1,379
Due to related parties, net	60
Other current liabilities	1,641
Total current liabilities	13,761
Other long-term liabilities	1,715
Total long-term liabilities	1,715
Total liabilities	15,476
Commitments and contingencies	-
Member's capital	59,193
Total liabilities and member's capital	\$ 74,669

HSF AFFILIATES LLC
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands)

	March 31, 2019
Royalty fees, net	\$ 10,955
Revenue from related party	4,859
Other revenue, net	<u>3,631</u>
Total revenues	19,445
Selling, general and administrative expenses	<u>15,553</u>
Operating income	3,892
Interest income	<u>931</u>
Income from operations before income tax expense	4,823
Income tax expense	<u>1,420</u>
Net income	<u><u>\$ 3,403</u></u>

HSF AFFILIATES LLC
STATEMENT OF MEMBER'S CAPITAL
(in thousands)

	Member's Capital	Accumulated Earnings/(Deficit)	Total Member's (Deficit)/Capital
Balance at December 31, 2018	\$ 34,696	\$ 52,193	\$ 86,889
Net Income		3,403	3,403
Distributions		(31,099)	(31,099)
Balance at March 31, 2019	\$ 34,696	\$ 24,497	\$ 59,193

EXHIBIT E
TO THE DISCLOSURE DOCUMENT
LIST OF STATE FRANCHISE ADMINISTRATORS

Exhibit E

LIST OF STATE FRANCHISE ADMINISTRATORS

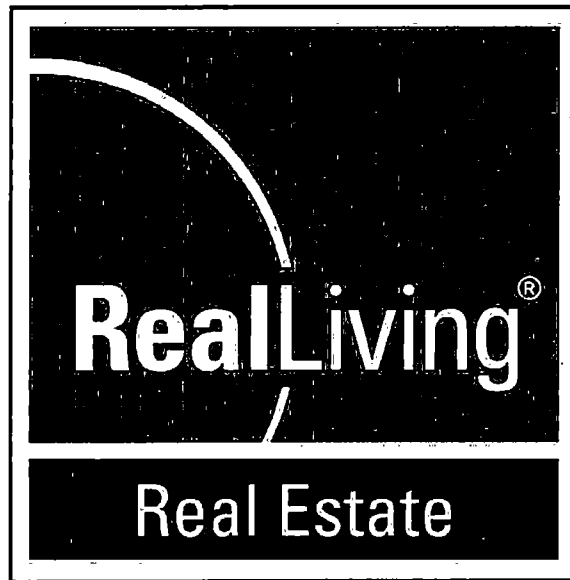
<u>State</u>	<u>Title of Administrator</u>	<u>Telephone Number</u>
California	Toll Free Number	(866) 275-2677
	Commissioner of Business Oversight 320 West 4th Street Suite 750 Los Angeles, California 90013-2344	(213) 576-7500
	or	
	One Sansome Street Suite 600 San Francisco, California 94104-4428	(415)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

<u>State</u>	<u>Title of Administrator</u>	<u>Telephone Number</u>
Michigan	Attorney General 670 G. Mennen Williams Building, 7 th Floor 525 West Ottawa Street Lansing, Michigan 48909	(517) 373-7117
Minnesota	Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-2198	(612) 296-6328
New York	Attorney General New York State Department of Law 120 Broadway, 23rd Floor New York, New York 10271-0332	(212) 416-8211
North Dakota	Securities Commissioner 600 East Boulevard State Capitol Fifth Floor Dept.414 Bismarck, North Dakota 58505	(701) 328-2910
Oregon	Director, Department of Insurance and Finance Labor and Industries Building Salem, Oregon 97310	(503) 378-4387
Rhode Island	Director of Business Regulation Building 69-1 1511 Pontiac Avenue Cranston, Rhode Island 02920-4407	(401) 462-9500
South Dakota	Director, Division of Securities 124 S. Euclid Ave., Suite 104 Pierre, South Dakota 57501-3185	(605) 773-4823
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219	(804) 371-9051
Washington	Securities Administrator	(360) 902-8760

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

EXHIBIT F
TO THE DISCLOSURE DOCUMENT

REAL LIVING REAL ESTATE OPERATIONS MANUAL
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Operations Manual

March 2017

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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
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.
a Delaware limited liability company

By: _____

Print Name: _____

Title: _____

FRANCHISEE:

By: _____

**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
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
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

<u>State</u>	<u>Name and Address of Agent</u>
California	California Commissioner of Business Oversight 320 W. Fourth Street, Suite 750 Los Angeles, California 90013-2344
Hawaii	Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, Hawaii 96813
Illinois	Illinois Attorney General 500 South Second Street Springfield, Illinois 62706
Indiana	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204
Maryland	Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021
Michigan	Corporations, Securities and Land Development Bureau Michigan Department of Consumer and Industry Services 6546 Mercantile Way P.O. Box 30222 Lansing, Michigan 48909
Minnesota	Minnesota Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-2198
New York	New York Secretary of State One Commerce Plaza 99 Washington Avenue Albany, New York 12231
North Dakota	Securities Commissioner 600 East Boulevard State Capitol Fifth Floor Dept. 414 Bismarck, North Dakota 58505

Rhode Island

Director of Business Regulation
Building 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920-4407

South Dakota

Director of South Dakota Division of Securities
124 S. Euclid Ave., Suite 104
Pierre, South Dakota 57501-3185

Virginia

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

Washington

Securities Administrator
Washington State Department of Financial Institutions
150 Israel Rd. SW
Tumwater, Washington 98501

Wisconsin

Division Administrator
201 W Washington Avenue, Suite 300
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 Statutes, 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)

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: _____

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: _____



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

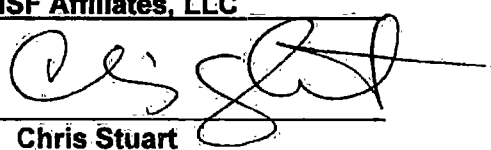
Exhibit L

GUARANTEE OF PERFORMANCE

For value received, HSF Affiliates, LLC, a Delaware limited liability company (the "Guarantor"), located at 18500 Von Karman Avenue, Suite 400, Irvine, California 92612, absolutely and unconditionally guarantees to assume the duties and obligations of Real Living Real Estate, LLC, a Delaware limited liability company, located at 18500 Von Karman Avenue, Suite 400, Irvine, California 92612 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2019 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns. This guarantee does not extend to third parties other than franchisees of Franchisor.

The Guarantor signs this guarantee at 18500 Von Karman Avenue, Irvine, CA 92612, on the 29 day of April, 2019.

Guarantor: HSF Affiliates, LLC

By: 

Chris Stuart

Title: Chief Executive Officer

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.

All franchise seller(s) work for the franchisor listed directly above and can be reached at the same address and phone number. The franchise seller(s) for this offering is/are:

_____ Michael Jalbert	_____ -Allan Dalton	
_____ Troy W Reiersen	_____ G. Scott Hurlock	_____ Frank Perdichizzi

Issuance date: May 1, 2019, as amended July 1, 2019

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, 2019, as amended July 1, 2019, 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	-	Franchise Term Note
_____ Exhibit K	-	Statement of Prospective Franchisee
_____ Exhibit L	-	Guarantee of Performance

Date: _____ Franchisee: _____

Print Name of Signatory: _____

Print Name of Company: _____

Item 23
RECEIPT

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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.

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_____ Troy W Reiersen	_____ G. Scott Hurlock
	_____ Frank Perdicchizzi

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Exhibit I	-	Industry Regulations
Exhibit J	-	Franchise Term Note
Exhibit K	-	Statement of Prospective Franchisee
Exhibit L	-	Guarantee of Performance

Date: _____ Franchisee: _____

Print Name of Signatory: _____

Print Name of Company: _____