REALTY WORLD®

A Nevada Corporation

U.S. Franchise Disclosure Documents 2016

FRANCHISE DISCLOSURE DOCUMENT
REALTY WORLD®, INC
a Nevada corporation
1101 Dove Street, Suite 228
Newport Beach, California 92660
(714) 436-9009
[www realtyworld com](http://www.realtyworld.com)
info@realtyworld com

You will buy a franchise for the operation of a real estate brokerage business under the "Realty World®" name and marks

The total investment necessary to begin operation of a conversion franchise ranges from $8,200 00 to $42,000, including $5,000 to $10,000 that must be paid to the franchisor The total investment necessary to begin operation of a start-up franchise ranges from $47,000 to $187,000, including $5,000 to $10,000 that must be paid to the franchisor If you are granted an exclusive territory, the total investment necessary to begin operation of the franchise ranges from $62,000 to $677,000, including $20,000 to $500,000 that 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 payments to, the franchisor or an affiliate in connection with the proposed franchise sale or grant **Note, however, that no government agency has verified the information contained in this document**

You may wish to receive your disclosure document in another format that is more convenient for you To discuss the availability of disclosures in different formats, contact Lisa Gerdes, Realty World, Inc , 1101 Dove Street, Suite 228, Newport Beach, California 92660, (714) 436-9009

The terms of your contract will govern your franchise relationship Don't rely on this 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 This 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 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 August 31, 2016

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 administrators listed in **Exhibit A** 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

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

2 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

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

The effective dates of this disclosure document in the states with franchise registration laws in which we have sought registration or exemption appear on the following page

REALTY WORLD, INC

STATE EFFECTIVE DATES

The following states require that the 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 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	__________, 2016
Hawaii	__________, 2016
Illinois	__________, 2016
Indiana	__________, 2016
Maryland	__________, 2016
Michigan	__________, 2016
Minnesota	__________, 2016
New York	__________, 2016
North Dakota	__________, 2016
Rhode Island	__________, 2016
South Dakota	__________, 2016
Virginia	__________, 2016
Washington	__________, 2016
Wisconsin	__________, 2016

In all other states that do not require the disclosure document to be registered or filed with the state, the effective date of this disclosure document is the issuance date of August 31, 2016

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

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU

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

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment 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 sub franchisor

(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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled At the option of the franchisor, a surety bond may be provided in place of escrow

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL

Any questions regarding this notice should be directed to

Michigan Attorney General's Office
Consumer Protection Division
Attention Franchise Section
G Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
Telephone (517) 373-7117

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Exhibits

APPLICABLE STATE LAW MIGHT REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT, AND MIGHT REQUIRE A RIDER TO THE FRANCHISE AGREEMENT THESE ADDITIONAL DISCLOSURES AND RIDERS, IF ANY, APPEAR IN EXHIBIT I

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor

For ease of reference, Realty World®, Inc , the franchisor, will be referred to as "Realty World®," "we," "us" or "our" in this disclosure document "You" means the person who buys the franchise from us If you are a corporation, partnership or limited liability company, certain provisions of the applicable agreement also apply to your owners or partners

We were incorporated on June 12, 1997 in Nevada under the name AC Capital, Inc We changed our name to Realty World® America, Inc ("RWA") on September 11, 1997 On March 31, 2006, we changed our name to Realty World®, Inc We do business under our corporate name and as Realty World® Our principal business address is 1101 Dove Street, Suite 228, Newport Beach, California 92660 Our telephone number is (714) 436-9009 Our agents for service of process are disclosed in Exhibit A

Our predecessor, Realty World Corporation ("RWC"), incorporated in Delaware on November 8, 1974, and offered franchises for real estate brokerage business from 1973 to 1997 In 1997, we acquired certain rights from RWC, including the exclusive license and use of all national and international (excluding Canada) trademarks, names and logos of RWC In July 1998, Eon Capital, Inc ("EON") assigned all of the rights to the Realty World® marks and name to us Since then, we have engaged in the licensing of real estate brokerage offices We began offering franchises for real estate brokerage businesses in June 2000 We have not offered franchises in any other line of business

Our affiliate, HomeLife® Realty Services Inc , was incorporated in Canada on March 28, 1985 Its principal place of business is 28 Drewry Avenue, Toronto, Ontario M2M 1C8 Its telephone number is (800) 668-0186 Since its inception, HomeLife® Realty Services Inc has offered franchises in Canada for real estate brokerage businesses It currently has 160 franchised locations in Canada It has never offered franchises in any other line of business

Our affiliate, HomeLife® International, Inc ("HomeLife®"), was incorporated in Michigan on July 15, 2008 Its principal place of business is 1101 Dove Street, Unit 235, Newport Beach, California, 92660 Its telephone number is (734) 246-6080 Since its inception, HomeLife® has offered franchises for real estate brokerage businesses until 2011 and intends to offer franchises again this fiscal year It currently has 5 franchised locations in the United States It has never offered franchises in any other line of business

Our affiliate, Red Carpet® International, Inc ("Red Carpet®"), was incorporated in Michigan on July 15, 2008 Its principal place of business is 1101 Dove Street, Unit 235, Newport Beach, California, 92660 Since its inception, Red Carpet has offered franchises for real estate brokerage businesses It currently has 22 franchised locations in the United States Its telephone number is (734) 246-6080 Though it is not currently offering franchises, it intends to do so again in the current fiscal year .It has never offered franchises in any other line of business

Our affiliate, Red Carpet International Ltd , was incorporated in Ontario, Canada, in June 2016 Its principal place of business is 395 Eglinton Avenue East, Toronto, Ontario, Canada M4P 1M6 Red Carpet International Ltd intends to offer franchises in Canada for real estate brokerage businesses It has never offered franchises in any other line of business

Our affiliate, Move In and Out, Inc ("Move In and Out"), was incorporated in Delaware on March 21, 2006 Its principal place of business is 28 Drewry Avenue, Toronto, Ontario M2M 1C8 It has engaged in maintaining a website that offers information regarding moving and relocation services since its incorporation Realty World® Businesses may choose to participate as a member of the website Move In and Out has never operated any other business or offered franchises in any line of business

Our affiliate, Ads and Deals, Inc , was incorporated in Delaware on December 13, 2007 Its principal place of business is 28 Drewry Avenue, Toronto, Ontario M2M 1C8 It has engaged in maintaining a website that offers on-line classified advertising Realty World® Businesses may choose to participate as a member of the website Ads and Deals, Inc has never operated any other business or offered franchises in any line of business

Our affiliate, Job YoYo Inc , was incorporated in Delaware on February 2006 Its principal place of business is 28 Drewry Avenue, Toronto, Ontario M2M 1C8 It has engaged in maintaining a website that offers on-line job searching and job hosting Realty World® Businesses may choose to participate as a member of the website Job YoYo Inc has never operated any other business or offered franchises in any line of business

Our affiliate, Taxi Property Management Ltd offers software for the operation of property management businesses Its principal place of business is 28 Drewry Avenue, Toronto, Ontario M2M 1C8 It was incorporated as Surplus Cash Inc in March 1998 but was renamed and began operating as Taxi Property Management Ltd in December 2015 Realty World® Businesses may choose to use this software Taxi Property Management Ltd has never operated any other business or offered franchises in any line of business

The following act as subfranchisors on our behalf The Carolina Region, Inc , covering the territories of North Carolina and South Carolina and Realty World® – Pennsylvania, covering the territory of Pennsylvania The Carolina Region, Inc 's principal place of business is 295 Olmstad Boulevard, Suite 1, Pinehurst, North Carolina 28374 Its telephone number is Tel (910) 215-8888 Realty World® – Pennsylvania's principal place of business is 1103 West Front Street, Berwick, Pennsylvania 18603 Its telephone number is (570) 752-2060

The Franchise Offered

We have developed a network of real estate brokerage businesses known as "Realty World®" businesses ("Realty World® Businesses") We use, promote, and license certain trademarks, service marks, and other commercial symbols in operating Realty World®

Businesses, and may create, use and license other trademarks, service marks, and commercials for Realty World® Businesses (the "Marks") Realty World® Businesses offer the products and services we authorize and use our business formats, methods, rules, procedures, signs, designs, layouts, standards, specifications, and Marks (the "Franchise System")

We offer to qualified persons the right to operate a Realty World® Business (a "Business") under the form of franchise agreement attached as Exhibit B (the "Franchise Agreement") We do not typically grant an exclusive territory Under limited circumstances, however, we may offer you the right to acquire a franchise with an exclusive territory under our form of exclusive territory addendum attached as Exhibit B-1 (the "Exclusive Territory Addendum") If you acquire a Realty World® franchise, you must operate the Realty World® Business in accordance with our specifications and standards for the Marks and the Franchise System

From August 2009 to August 2012, we granted persons or entities meeting our qualifications ("Area Developers") the right to develop multiple Realty World® Businesses utilizing the marks within a development area We are no longer offering franchises for Area Developer franchises As of the date of this disclosure document, there are no Area Developers in existence However, we may offer franchises for Area Developer franchises in the future

Competition

The market for real estate brokerage offices is well established You will compete with other national and regional franchised real estate brokerage offices (including our affiliates), as well as local real estate brokerage offices in your market area for the listing and sales of commercial and residential property and related ancillary services A critical component to your success will be your ability to recruit and retain sales representatives (defined in Item 6)

The real estate market may presently be in, or at any given time may enter into, a downturn as a result of economic conditions, as well as credit restraints, a large inventory of unsold homes in many markets, decreasing sales volume or a variety of factors It is impossible to predict whether or when the economy will or would improve, whether interest rates will or would remain stable, or whether or when the real estate industry will or would return to a growth period

Laws Applicable to the Real Estate Brokerage Business

You are subject to the licensing requirements of your state regulatory authority and must be a licensed real estate broker Most states have specific laws and regulations covering real estate brokerage services and licenses These laws, among other things, require that anyone who offers real estate brokerage services be a licensed real estate broker, a licensed associate broker or a licensed salesperson affiliated with a licensed real estate broker There may be similar laws in the cities and counties in which you will be operating Some states also require franchised real estate brokers to identify themselves as such when offering their services to the public You must know your state's requirements There are also various federal laws that could affect your real estate business such as the Real Estate Settlement and Procedures Act and Fair Housing

Laws You must comply with all local, state and federal laws in the operation of your Realty World® Business We urge you to make further inquiries about these and other laws in order to understand your potential legal obligations

ITEM 2

BUSINESS EXPERIENCE

Andrew Cimerman – President, Chief Executive Officer and Chairman of the Board

Mr Cimerman has been our President since June 1, 2010 and has been our Chairman of the Board, and Chief Executive Officer since June 1997 Mr Cimerman also holds positions with the following entities (1) President and Chief Executive Officer of Red Carpet International Ltd , since June 2016, (2) President of HomeLife® Insurance, Inc , since September 2007, (3) President of PCH Capital Inc , since September 2007, (4) President of Ads And Deals, Inc , since June 2007, (5) President of LANA Capital LLC, since June 2007, (6) President of Move In and Out, Inc , since March 2006, (7) President of Job YoYo, Inc , since February 2006, (8) President and Chief Executive Officer of Realty World® International, Inc , since July 2000, (9) President of World Alliance Inc , since February 2000, (10) President of FamilyLife Realty Services, Inc , since February 1997, (11) President of National Real Estate, Inc , since January 1997, (12) President of Red Carpet® International, Inc , since July 1996, (13) President of Max American Home Warranty, Inc , since July 1996, (14) President and Chief Executive Officer of HomeLife® International, Inc , since October 1986, (15) President of HomeLife® Realty Services, Inc , since March 1985, (16) President of HomeLife® International, Inc , since July 2004, (17) President of Simcoe Fox Developments, Inc , since 1976, (18) President of Cimerman Real Estate Ltd /HomeLife® since April 1973, and (19) President of pololoans Inc since October 2014 Mr Cimerman serves in each of these positions in Toronto, Ontario, Canada

Lisa Gerdes Executive Vice President, Secretary, and Chief Operating Officer

Ms Gerdes has been our Executive Vice President, Secretary, and Chief Operating Officer since April 2014 From May 1990 to April 2014, Ms Gerdes was a managing broker for Tarbell, Realtors, headquartered in Santa Ana, California, where she also served as Auditor (from 2010 to 2014), Trainer (from May 1990 to April 2014), and Vice President (from 2010 to 2014)

Lori Cimerman: Director and Treasurer

Mrs Cimerman has been a Director of us and our Treasurer since she joined our organization in September of 2014 Mrs Cimerman has been a licensed real estate sales representative since January 2004, a licensed real estate broker since November 2006, and a licensed mortgage broker since January 2007 Since November 2009, Mrs Cimerman has been the Broker of Record of our affiliate HomeLife/Cimerman Real Estate Ltd , Brokerage, located in Toronto, Ontario, Canada

ITEM 3

LITIGATION

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

You must pay us a non-refundable initial franchise fee when you sign the Franchise Agreement The amount of the initial franchise fee will vary depending on the general population density of your Business' geographic location The amount of the initial franchise fee is currently determined as follows (i) $10,000 if the city or unincorporated area in which your Business is located (or shall be located) has a population of 50,000 or more, (ii) $7,500 if the city or unincorporated area in which your Business is located (or shall be located) has a population greater than 19,999 and less than 50,000, or (iii) $5,000 if the city or unincorporated area in which your Business is located (or shall be located) has a population of less than 20,000 Under limited circumstances, and at our sole discretion, an exclusive territory may be available under our Exclusive Territory Addendum The amount of the initial franchise fee under the Exclusive Territory Addendum will range from $20,000 to $500,000 and is determined by negotiations between you and us In considering the amount of such initial franchise fee, we look at the geographic location, market share, population, number of sales representatives and any other factors we determine are relevant

During our fiscal year ended May 31, 2016, we charged initial franchise fees ranging from $12,500 to $18,000

You must pay us the initial franchise fee in a lump sum in the form of a bank check or cashier's check when you sign the Franchise Agreement If you purchase multiple franchises, you will sign the Franchise Agreements for all of the franchises at the same time and be required to pay an initial franchise fee for each signed Franchise Agreement The initial franchise fee is nonrefundable under any and all circumstances and is fully earned by us upon signing of the Franchise Agreement by you At our option we may accept payment of the initial franchise fee in installments for a period not exceeding 6 months (See Items 7 and 10) If we offer you an installment period to pay the initial franchise fee you will execute a promissory note See Exhibit C

We reserve the right to vary, waive (in whole or in part), negotiate or make exception to our published fee structure and/or payment terms for any reason or if business circumstances warrant in our sole and absolute discretion, including without limitation large or otherwise significant transactions, conversion allowances or start-up allowances In some cases, the initial franchise fee, or a part of it, may be offset by certain conversion allowances granted by us in our discretion We also have the right to negotiate development allowances, bonuses or other incentives, which may vary in type, amount or duration to attract new franchisees Any of these plans, depending on the particular bonus or incentive involved, may directly or indirectly decrease the initial franchise fees of those franchisees entitled to these bonuses or incentives These incentive and bonus plans, if and when offered, may vary as to type, amount or duration

In North Carolina, South Carolina and Pennsylvania, Realty World® franchises are sold by an authorized subfranchisor for each of these regions In Northern California and Northern Nevada, Realty World® franchises are sold by a licensee The amount of the initial franchise fee is determined by the subfranchisor in each region and this initial franchise fee together with other information is disclosed in the franchise disclosure document used and authorized by the subfranchisor or licensee for each region

Our franchisees may receive a percentage of the initial franchise fee and ongoing fees for referring new franchisees to us as part of our Share the Wealth Program

ITEM 6

OTHER FEES

Type of Fee[1,2]	Amount	Due Date	Remarks
Royalty Fees for Sales Representatives[3 9]	Varies depending on number of Sales Representatives[3 4] registered with your Realty World® Business[5]	Due on the 25th day of the calendar month	
National Advertising and Promotional Fund Contribution	Varies between $50 and $300 depending on number of Sales Representatives[3] registered with your Realty World® Business[6]	Due on the 25th day of the calendar month	In addition to the Minimum National Advertising and Promotional Fund Fee, you must make a contribution to the National Advertising and Promotional Fund

Type of Fee[1,2]	Amount	Due Date	Remarks
Your Local Advertising	Between $50 to $300 per month (depending on number of Sales Representatives)	Monthly	If you fail to make these required monthly expenditures, you must contribute the amount you failed to spend to the National Advertising and Promotional Fund
Support Fee	$250, $150, or $100 per month[7]	Due on the 25th day of each month	The Support Fee is due monthly
Website Fee	$300 per year	Due on the 1st of every year	The Website Fee is due yearly
Minimum National Advertising and Promotional Fund Fee	$25 per month	Due on the 25th day of each month	The Minimum National Advertising and Promotional Fund Contribution is due monthly
Late Fees	$50 per day or maximum amount the law allows	On demand	
Late Reporting of Sales Representatives	$250	On demand	You must pay this fee if you fail to report the affiliation of any new Sales Representatives within 5 days
Renewal Fee	$1,500	At the time of renewal	Must accompany written notice of renewal
Transfer Fee	$3,500	At time of transfer	The transfer fee is for the supervisory, administrative, accounting, legal and other expenses we incur as a result of this sale or transfer
Registration Fee Annual Awards Convention	Varies Currently, registration fee estimated at $300	Upon receipt of invoice	Attendance at our annual convention is mandatory If you choose to attend, however, you must pay us a registration fee, which covers our costs of organizing the convention You must pay for your own travel, lodging and related expenses

Type of Fee[1,2]	Amount	Due Date	Remarks
Initial Training Fee	Currently $299	Upon receipt of invoice	We will provide initial training for your Designated Manager (see Item 15) and one additional person We will charge a fee for additional persons who attend training
Ongoing Training-Realty World® Academy	Currently $59 to $249 per course	Upon receipt of invoice	We provide ongoing training programs at a fee See Item 11
Annual Realty World® Website Membership Registration Fee	Currently, annual fee is $300 per year per office	Upon signing the Franchise Agreement or receipt of invoice	Realty World's Annual Website Membership is mandatory You must pay the annual membership fee Website Membership includes your own page on the Realty World® Website that will contain all Sales Representatives at your franchised business location, a hyperlink to the website for your Business and links to any personal websites your Sales Representatives have or may develop at their cost, if any, and access to Realty World® Intranet [8]
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Due prevailing party
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims from the operation of your Business

Type of Fee[1,2]	Amount	Due Date	Remarks
Audit	Cost of audit, including the charges of any attorneys and independent accountants, travel expenses, room and board and compensation of our employees The audit costs will range from $500 to $5,000	15 days after audit report is received	Payable only if we find that you have underreported any amount to us by 5% or more, or if the audit is caused by your failure to provide required information or documents

Explanatory Notes

1/ Unless indicated otherwise, all fees are collected by and payable to us and are non-refundable The fees above may not be uniformly applied We may agree to different fees for franchisees who are signing renewal franchise agreements The ongoing franchise fees under all circumstances are nonrefundable and are fully earned by us upon payment All fees will automatically increase by 3% per annum after the franchisee's 10th anniversary We also reserve the right to vary, waive (in whole or in part), negotiate or make exception to our published fee structure and/or payment terms if business circumstances warrant in our sole and absolute discretion We may offer incentive or bonus plans to attract new members and retain current members Due to economic conditions and market forces, including acts of God, we may under certain circumstances offer incentive or bonus plans to attract new members and retain current members Any of these plans, depending on the particular bonus or incentive involved, may directly or indirectly decrease the ongoing franchise license fees of those members entitled to these bonuses or incentives These incentive and bonus plans, if and when offered, may vary as to amount or duration The intent in offering these incentives is to provide a benefit to the entire system, in that the addition of new members increases the number of real estate sales representatives in various markets and therefore the overall number of transactions, and thus improves both our and the image of all of our franchisees

2/ At our request, you agree to sign and deliver to us the documents we require to authorize us to debit your business checking account or credit card automatically for Royalty Fees, the National Advertising and Promotional Fund contribution, and other amounts due under the Franchise Agreement (the "EFT Authorization") Such EFT Authorization shall remain in full force and effect during the term of the Franchise Agreement We will debit the business account you designate in the EFT Authorization for these amounts on their due dates (or the subsequent business day if the due date is a national holiday or a weekend day) You agree to ensure that funds will be available in your designated account to cover our withdrawals

3/ A-"Sales Representative" means each person who possesses a real estate license that is affiliated, directly or indirectly, with your Business, including Sales Representatives, broker associates, brokers, licensed assistants and each broker of record and/or manager Within 5 days after a Sales Representative becomes affiliated with you, you must inform us in writing of the name of the Sales Representative Each month you must provide us with an accounting of the Gross Revenue of each Sales Representative for the preceding month, the number of transactions closed by each Sales Representative for the preceding month, and a listing of all Sales Representatives affiliated with your Business

4/ "Gross Revenue" means all revenues received by you from commissions, fees or professional services, both actual or to be imputed, from all transactions of your Sales Representatives either in cash, commission notes, or any other valuable consideration received in lieu of cash, and shall include revenues from all transactions using the Franchise System involving you, your broker(s), any of its officers, directors, shareholders, partners, employees Gross Commission will be computed without deduction for any payment to your brokers, sales managers, Sales Representatives, or employees, payments for any multiple listing fees, insurance, home protection plans, business expenses or taxes, but with deduction for any referral fees paid to any other non-affiliated real estate brokerage firms

5/ The Royalty Fee for Sales Representatives varies depending on the number of Sales Representatives registered with your Realty World® Business Your Royalty Fee will be $350 per month if you have up to 10 Sales Representatives, your Royalty Fee will be $550 per month if you have more than 10 Sales Representatives but no more than 20 Sales Representatives, your Royalty Fee will be $850 per month if you have more than 20 Sales Representatives but no more than 30 Sales Representatives, your Royalty Fee will be $1,100 per month if you have more than 30 Sales Representatives but no more than 50 Sales Representatives, your Royalty Fee will be $1,500 per month if you have more than 50 Sales Representatives but no more than 100 Sales Representatives, your Royalty Fee will be $2,000 per month if you have more than 100 Sales Representatives but no more than 200 Sales Representatives, and your Royalty Fee will be $3,000 per month if you have more than 200 Sales Representatives

6/ In addition to the Minimum National Advertising and Promotional Fund Fee of $25 per month, you must pay a monthly National Advertising and Promotional Fund Contribution The National Advertising and Promotional Fund Contribution varies depending on the number of Sales Representatives registered with your Realty World® Business Your contribution will be $50 per month if you have up to 10 Sales Representatives, your contribution will be $75 per month if you have more than 10 Sales Representatives but no more than 20 Sales Representatives, your contribution will be $100 per month if you have more than 20 Sales Representatives but no more than 30 Sales Representatives, your contribution will be $150 per month if you have more than 30 Sales Representatives but no more than 50 Sales Representatives, your contribution will be $200 per month if you have more than 50 Sales Representatives but no more than 100 Sales Representatives, your contribution will be $250 per month if you have more than 100 Sales Representatives but no more than 200 Sales Representatives, and your contribution will be $300 per month if you have more than 200 Sales Representatives

7/ The Support Fee is $100 per month if the city or unincorporated area in which your Business is located has a population of less than 20,000, $150 per month if the city or unincorporated area in which your Business is located has a population greater than 19,999 and less than 50,000, and $250 per month if the city or unincorporated area in which your Business is located has a population of 50,000 or more

8/ The Website Fee is $300 per year, plus applicable taxes You are required to update the information of your brokerage business and that of your Sales Representatives on Realty World's Website After joining you will be assigned a password for the broker/manager to use at your operation, which will enable you to update text information about your **Realty World® Business** and upload photographs of your Sales Representatives We will provide you, within a reasonable period after joining the Realty World® franchise, instructions on how to update your information on your portion of Realty World's Website (Intranet) You will designate a "Technology Liaison" at your office to be the contact person for such website maintenance The Technology Liaison may be you, your secretary, a Sales Representative in your office, or any third party of your choosing It is the responsibility of the Technology Liaison to keep all information current and updated and to assure that all information is updated in a timely manner, including posting all new agents on the website The time and skill involved to maintain the website is minimal and will not require substantial amounts of time on your part All Sales Representatives in your office will also obtain a password to obtain access to Realty World's Intranet Website which contains numerous marketing tools, programs, and systems for their use

9/ Our franchisees may receive a percentage of the Royalty Fees for referring new franchisees to us as part of our Share the Wealth Program There are 3 different categories of participation under the Share the Wealth Program A Referral Advisor simply provides us with the name of someone potentially interested in opening a Realty World® Business If the referred individual opens a Realty World® Business, Referral Advisors are compensated with up to 20% of the Initial Franchise Fee and 5% of the ongoing Royalty Fee collected from the referred business A Sales Advisor is involved in the negotiation of the sales of the franchise to the potential franchise and is compensated with up to 60% of the Initial Franchise Fee and 10% of the ongoing Royalty Fee collected from the referred business A Sales Management Advisor is involved in the negotiation and sale of the franchise but also provides ongoing service and advice to the referred business A Sales Management Advisor is compensated with up to 60% of the Initial Franchise Fee and 10% plus up to 15% of the ongoing Royalty Fee collected from the referred business

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

CONVERSION OFFICE[1, 2]

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee[3]	$5,000 to $10,000	Lump Sum	Upon signing of Franchise Agreement	Us
Building Signs[4]	$700 - $15,000	As Arranged	As Arranged	Vendor(s)
Yard Signs	$1,000 to $5,000	As Arranged	As Arranged	Vendor(s)
Start-up Supplies	$1,000 to $10,000	Lump Sum	Prior to Opening	Vendor(s)
Insurance, including General Liability, Errors & Omissions[5]	$500 to $2,000	As Arranged	As Arranged	Insurer(s)
TOTALS[6 7]	$8,200 to $42,000			

Explanatory Notes

1/ The table above provides an estimate of the initial investment needed to convert a single existing real estate brokerage office to a Realty World® Business

2/ This estimate does not include any rent or leasehold improvements because it should be an ongoing expense of your existing business If the appearance of your office does not meet our current office standards, we may not grant you a franchise or we may require you to refurbish the office before opening your business under the Realty World® name This estimate does not include any amount necessary to refurnish or remodel your existing office We are unable to estimate such cost, if any, since it will depend upon its existing conditions

3/ You must pay the initial franchise fee concurrently with signing the Franchise Agreement The amount of the initial franchise fee will vary depending on the general population density of your Business' geographic location The amount of the initial franchise fee is currently determined as follows (i) $10,000 if the city or unincorporated area in which your Business is located (or shall be located) has a population of 50,000 or more, (ii) $7,500 if the city or unincorporated area in which your Business is located (or shall be located) has a population greater than 19,999 and less than 50,000, or (iii) $5,000 if the city or unincorporated area in which your Business is located (or shall be located) has a population of less than 20,000 The initial franchise fee is payable in a lump sum, unless at our option we allow you to pay it in installments over no more than a six month period (See Item 5) All fees are non-refundable unless otherwise indicated If we offer you an installment period to pay the initial franchise fee you will execute a promissory note See Exhibit C

4/ Single face box signs are estimated at $700 and large buildings signs are estimated at $15,000 (excluding installation costs), however, pricing may be more or less depending on what type of sign is chosen (size, dimensions, and material)

5/ You must procure at your own expense and maintain in full force and effect during the term of the Franchise Agreement, an insurance policy or policies that protect you and Realty World®, and your/its officers, directors, partners and employees against any loss or liability resulting from bodily injury, personal injury, death, property damage, general loss or other related expenses arising in or occurring upon, as a result of, or in connection with the Business, as we may reasonably require for our and your protection You must secure the policies before you begin the Business The policies must include general liability insurance and errors and omissions insurance You must supply us with a certificate of insurance showing compliance with these requirements prior to opening the Business Maintenance of the insurance and performance by you of your obligations under the insurance requirements in the Franchise Agreement will not relieve you of any liability under the indemnity provision of the Franchise Agreement In particular, you must maintain commercial general liability insurance and professional liability (real estate errors and omissions) insurance, each in the amount of $2 million per occurrence, and other coverage as stated periodically by us We must be named as an "additional insured" on the policies The dollar range represents the estimated insurance premium for one year

6/ We have relied on our and our predecessor's over 30 years of experience in the real estate brokerage business You should review these figures carefully with a business advisor, like an accountant or attorney, before making any decision to purchase the franchise The Table does not include any amounts for additional funds during the initial start-up phase because you will be converting an ongoing business to a Realty World® Business The Table also does not include any of the ongoing costs of operating the franchise as we cannot reasonably estimate these costs because they will depend upon such unpredictable things as your management skill, experience and business acumen, and both the general economy and local market conditions

7/ Neither we nor any of our affiliates offers any financing for any part of your initial investment (except for financing of the initial franchise fee) (See Item 5)

YOUR ESTIMATED INITIAL INVESTMENT
START-UP OFFICE[1, 2]

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee[3]	$5,000 to $10,000	Lump Sum	Upon signing of Franchise Agreement	Us
Real Estate and Improvements[4]	$12,000 to $50,000	As Arranged	As Arranged	Landlord or Contractor(s) of your choice (also see Note 2)
Signage	$1,000 to $5,000	As Arranged	As Arranged	Vendor(s)
Equipment, fixtures, furnishings[5]	$12,000 to $40,000	As Arranged	As Arranged	Vendor(s)
Start-up Supplies[5]	$1,000 to $10,000	Lump Sum	Prior to Opening	Vendor(s)
Insurance, including General Liability, Errors & Omissions[6]	$500 to $2,000	As Arranged	As Arranged	Insurer(s)
Miscellaneous Opening Costs[7]	$2,500 to $10,000	As Arranged	As Arranged	Vendor(s)
Additional Funds (8 months)[8]	$13,000 to $60,000	As Arranged	As Arranged	Vendor(s)
TOTALS[9]	$47,000 to $187,000			

Explanatory Notes

1/ The table above provides an estimate of the initial investment needed to establish a start-up Realty World® Business

2/ All fees are non-refundable unless otherwise indicated

3/ You must pay the initial franchise fee concurrently with signing the Franchise Agreement The amount of the initial franchise fee will vary depending on the general population density of your Business' geographic location The amount of the initial franchise fee is currently determined as follows (i) $10,000 if the city or unincorporated area in which your Business is located (or shall be located) has a population of 50,000 or more, (ii) $7,500 if the city or unincorporated area in which your Business is located (or shall be located) has a population greater than 19,999 and less than 50,000, inclusive, or (iii) $5,000 if the city or unincorporated area in which your Business is located (or shall be located) has a population of less than 20,000 The initial franchise fee is payable in a lump sum, unless at our option we allow you to pay it in installments over no more than a six (6) month period The initial franchise fee is described in Item 5 If we offer you an installment period to pay the initial franchise fee you will execute a promissory note See Exhibit C

4/ The estimate provided above is based on rent for office sizes ranging from 1,000 square feet to 3,500 square feet We require a minimum of 1,000 square feet for the Realty World® Business Variables that affect the cost of rental for your premises include property location, building size, improvements, access to major streets, real estate taxes, common area maintenance and the like You should thoroughly investigate the cost of business premises and all other initial investment costs in your market In many instances a tenant may be able to negotiate a lease that provides for the landlord to bear most or all of the costs of tenant improvements However, as a tenant you may have to incur these costs The length of the lease may have a bearing on tenant or leasehold improvement costs you must pay Build-out costs may vary, but generally speaking a typical build-out costs between $10 - $80 per square foot when significant construction and tenant improvements are necessary, depending on the type of structure

5/ The variation in the cost of equipment and supplies is due to factors such as shipping distance, price differences between suppliers and quantity purchased You may purchase or lease certain services or equipment, supplies, signs and opening inventory from any source provided that the items meet our standards and specifications and provided that we approve the source of such goods and services (See Item 8)

6/ You must procure at your own expense and maintain in full force and effect during the term of the Franchise Agreement, an insurance policy or policies that protect you and us, and your/its officers, directors, partners and employees against any loss or liability resulting from bodily injury, personal injury, death, property damage, general loss or other related expenses arising in or occurring upon, as a result of, or in connection with the Business, as we may reasonably require for our and your protection You must secure the policies before you begin the Business The policies must include general liability insurance and errors and omissions insurance You must supply us with a certificate of insurance showing compliance with these requirements prior to opening the Business Maintenance of the insurance and performance by you of your obligations under the insurance requirements in the Franchise Agreement will not relieve you of any liability under the indemnity provision of the Franchise Agreement In particular, you must maintain commercial general liability insurance and professional liability (real estate errors and omissions) insurance, each in the amount of $2 million per occurrence, and other coverage as stated periodically by us We must be named as an "additional insured" on the policies The dollar range represents the estimated insurance premium for one year

7/ This estimate includes advertising, online lead generation, security deposits, utility costs, business licenses and other prepaid expenses You may incur additional miscellaneous expenses in the first 3 months of operation as a Realty World® office, such as promotional costs announcing your affiliation with us, the cost of sending additional managers to Orientation and the cost of consulting an attorney, accountant or other professional advisor

8/ You will need additional capital to support on-going expenses, i e, payroll and utilities, to the extent these costs are not covered by sales revenue We estimate that this estimate will be sufficient for 8 months of working capital This is only an estimate, however, and we cannot assure that additional working capital will not be necessary during this start-up phase or any time after it You should review these figures carefully with a business advisor before making any decision to purchase the franchise Except as specifically stated in the preceding chart, no payments made to us are refundable Neither we nor any of our affiliates offers any financing for any part of your initial investment (except for financing of the initial franchise fee

9/ We have relied on our and our predecessor's over 30 years of experience in the real estate brokerage business You should review these figures carefully with a business advisor, like an accountant or attorney, before making any decision to purchase the franchise The Table does not include any of the ongoing costs of operating the franchise as we cannot reasonably estimate these costs because they will depend upon such unpredictable things as your management skill, experience and business acumen, and both the general economy and local market conditions

YOUR ESTIMATED INITIAL INVESTMENT
START-UP OFFICE with EXCLUSIVE TERRITORY[1 2]

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee[3]	$20,000 to $500,000	Lump Sum	Upon signing of Franchise Agreement	Us
Real Estate and Improvements[4]	$12,000 to $50,000	As Arranged	As Arranged	Landlord or Contractor(s) of your choice (also see Note 2)
Signage	$1,000 to $5,000	As Arranged	As Arranged	Vendor(s)
Equipment, fixtures, furnishings[5]	$12,000 to $40,000	As Arranged	As Arranged	Vendor(s)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Start-up Supplies[5]	$1,000 to $10,000	Lump Sum	Prior to Opening	Vendor(s)
Insurance, including General Liability, Errors & Omissions[6]	$500 to $2,000	As Arranged	As Arranged	Insurer(s)
Miscellaneous Opening Costs[7]	$2,500 to $10,000	As Arranged	As Arranged	Vendor(s)
Additional Funds (8 months)[8]	$13,000 to $60,000	As Arranged	As Arranged	Vendor(s)
TOTALS[9]	$62,000 to $677,000			

Explanatory Notes

1/ The table above provides an estimate of the initial investment needed to establish a start-up Realty World® Business with an exclusive territory The estimate is based on opening each individual office within your exclusive territory Each office will require a similar initial investment other than the initial Franchise Fee which is paid once

2/ All fees are non-refundable unless otherwise indicated

3/ You must pay the initial franchise fee concurrently with signing the Franchise Agreement The amount of the initial franchise fee will vary between $20,000 and $500,000 The initial franchise fee is payable in a lump sum, unless at our option we allow you to pay it in installments over no more than a 6-month period (The initial franchise fee is described in Item 5) If we offer you an installment period to pay the initial franchise fee you will execute a promissory note, which is attached as Exhibit C to this disclosure document

4/ The estimate provided above is based on rent for office sizes ranging from 1,000 square feet to 3,500 square feet We require a minimum of 1,000 square feet for the Realty World® Business Variables that affect the cost of rental for your premises include property location, building size, improvements, access to major streets, real estate taxes, common area maintenance and the like You should thoroughly investigate the cost of business premises and all other initial investment costs in your market In many instances a tenant may be able to negotiate a lease that provides for the landlord to bear most or all of the costs of tenant improvements However, as a tenant you may have to incur these costs The length of the lease may have a bearing on tenant or leasehold improvement costs you must pay Build-out costs may vary, but generally speaking a typical build-out costs between $10 to $80 per square foot when significant construction and tenant improvements are necessary, depending on the type of structure

5/ The variation in the cost of equipment and supplies is due to factors such as shipping distance, price differences between suppliers, and quantity purchased You may purchase or lease certain services or equipment, supplies, signs and opening inventory from any source provided that the items meet our standards and specifications and provided that we approve the source of such goods and services

6/ You must procure at your own expense and maintain in full force and effect during the term of the Franchise Agreement, an insurance policy or policies that protect you and us, and your/its officers, directors, partners and employees against any loss or liability resulting from bodily injury, personal injury, death, property damage, general loss or other related expenses arising in or occurring upon, as a result of, or in connection with the Business, as we may reasonably require for our and your protection You must secure the policies before you begin the Business The policies must include general liability insurance and errors and omissions insurance You must supply us with a certificate of insurance showing compliance with these requirements prior to opening the Business Maintenance of the insurance and performance by you of your obligations under the insurance requirements in the Franchise Agreement will not relieve you of any liability under the indemnity provision of the Franchise Agreement In particular, you must maintain commercial general liability insurance and professional liability (real estate errors and omissions) insurance, each in the amount of $2 million per occurrence, and other coverage as stated periodically by us We must be named as an "additional insured" on the policies The dollar range represents the estimated insurance premium for one year

7/ This estimate includes advertising, online lead generation, security deposits, utility costs, business licenses and other prepaid expenses You may incur additional miscellaneous expenses in the first 3 months of operation as a Realty World® office, such as promotional costs announcing your affiliation with us, the cost of sending additional managers to Orientation and the cost of consulting an attorney, accountant or other professional advisor

8/ You will need additional capital to support on-going expenses, i e, payroll and utilities, to the extent these costs are not covered by sales revenue We estimate that this estimate will be sufficient for 8 months of working capital This is only an estimate, however, and we cannot assure that additional working capital will not be necessary during this start-up phase or any time after it You should review these figures carefully with a business advisor before making any decision to purchase the franchise Except as specifically stated in the preceding chart, no payments made to us are refundable Neither we nor any of our affiliates offers any financing for any part of your initial investment (except for financing of the initial franchise fee

9/ We have relied on our and our predecessor's over 30 years of experience in the real estate brokerage business You should review these figures carefully with a business advisor, like an accountant or attorney, before making any decision to purchase the franchise The Table does not include any of the ongoing costs of operating the franchise as we cannot reasonably estimate these costs because they will depend upon such unpredictable things as your management skill, experience and business acumen, and both the general economy and local market conditions

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as described below, we do not require that you purchase products or services from a specific supplier However, we require ongoing maintenance of quality and uniformity throughout the Realty World® system by identifying certain standards governing the use of Realty World® name and Marks in your day to day business, including on business cards, stationary, signage and in related advertising and marketing Accordingly, you must purchase building signs, yard signs, stationary, business cards and other Realty World® trademark-bearing items used in your real estate business that meet the specifications we prescribe All items bearing the Marks (the "Proprietary Items") must conform to our specifications We may provide such specifications in the Operations Manual These specifications include standards for size, appearance and uniformity We will provide you with the information on approved suppliers for the Proprietary Items We consider these specifications, standards and requirements to be of critical importance to the success of Realty World® Businesses, and currently require that you purchase all signage and stationary from suppliers that have been approved by us during the first 3 years after signing the Franchise Agreement We reserve the right to change this policy and require you to purchase from approved suppliers during remaining term of the Franchise Agreement These suppliers are described in the Operations Manual or otherwise in writing to you after purchasing the franchise We may also maintain a list of suppliers in our Intranet

If you want to purchase any Proprietary Item from a supplier or distributor that we have not yet approved, you first must submit sufficient information, specifications and samples for us to determine whether the item complies with our standards and specifications or the supplier or distributor meets our criteria We may condition our approval of a supplier or distributor on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service or other criteria Although we do not do so currently, we may charge reasonable testing and/or inspection fees You will be provided with information when fees are charged We may limit the number of approved vendors to obtain volume discounts, assure consistent quality and adequate supplies for you On a routine and continuing basis, we may visit, consult with or inspect the operations of our approved vendors to ensure compliance with our standards, requirement and specifications, as well as to assure compliance with federal, state and local law and regulation and contractual obligations We may revoke a vendor's approved status if the vendor no longer meets our criteria, if it breaches its agreement with us, or if the products or services offered are no longer competitive in price or quality We will periodically update the vendor list on our website It is your responsibility to check the online vendor list regularly for changes and updates

We do not have specific standards for the furniture, fixtures and equipment that you use in your office However, it must be in good condition and create an overall professional image for your office

You must use the Internet service provider we designate to link your webpage to our website

The cost of the purchase of the Proprietary Items and the Internet service described above represents 10% to 40% of your total purchases in connection with establishing and operating the Realty World® Business

We recommend those suppliers who can meet industry standards of quality, stability, accountability and competitive prices We have negotiated purchasing arrangements with suppliers for printed materials, internet website hosting and design service, signage, insurance, advertising and marketing services, real estate software management services, promotional services, office supply, telecommunications services, and direct mail services These arrangements currently offer you 0% to 50% discounts off of standard pricing of the suppliers However, we cannot ensure the discounts will remain the same in the future

You must maintain in force at your expense during the term of the Franchise Agreement, comprehensive public, general and motor vehicle liability and errors and omission insurance policies that protect you and us, and your/our officers, directors, partners and employees against any claims for bodily and personal injury, death and property damage caused by or occurring in connection with your Business's operation, all containing the minimum liability coverage we may require We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances These insurance policies must name us and any affiliates we designate as additional named insureds and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration You must routinely furnish us copies of your Certificate of Insurance or other evidence of your maintaining this coverage and paying premiums If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and your Business on your behalf, in which event you must cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining the insurance

You may, but are not required, to become a member of the relocation program offered by Move In and Out, Inc , our affiliate You may, but are not required, to become a member of the classified advertising program offered by AdsandDeals, Inc and the job searching program offered by Job YoYo Inc You may, but are not required, to use the property management software offered by our affiliate, Taxi Property Management Ltd (See Item 1)

We may occasionally receive rebates from our approved suppliers of print products The rebates may be a flat fee amount of $1 00 to $5,000 or a percentage of franchise purchases (ranging from 1% to 10%) During the fiscal year ended May 31, 2016, neither we nor our affiliates derived any revenue from the sale of products or services to our franchisees However, we and our affiliates reserve the right to do so in the future

Except as described above, neither we nor any of our related companies are a currently approved supplier nor do we or they assume any liability for the acts or omissions, or guaranties the performance, of any supplier, whether approved or not

Andrew Cimerman, our President, Chairman of the Board and Chief Executive Officer, is the sole shareholder of Move In and Out, Inc , an on-line virtual relocation service provider, AdsandDeals, Inc , an on-line classified advertising website, Job YoYo Inc , an on-line job searching and job hosting website, and Taxi Property Management Ltd , a provider of property management software

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 Franchise Agreements	Disclosure Document Item
(a) Site selection and acquisition/lease	Section 2 of Franchise Agreement	Items 7 and 11
(b) Pre-opening purchases/leases	Sections 2 C and 2 D of Franchise Agreement	Items 7, 8 and 11
(c) Site development and other pre-opening requirements	Section 2 of Franchise Agreement	Items 6, 7 and 11
(d) Initial and ongoing training	Section 4 of Franchise Agreement	Item 11
(e) Opening	Section 2 D of Franchise Agreement	Item 11
(f) Fees	Section 3 of Franchise Agreement	Items 5, 6 and 7
(g) Compliance with standards and policies/Operations Manual	Sections 4 C and 8 G of Franchise Agreement	Items 8 and 11
(h) Trademarks and proprietary information	Sections 5 and 6 of Franchise Agreement	Item 13 and 14

Obligation		Section in Franchise Agreements	Disclosure Document Item
(i)	Restrictions on products/ services offered	Sections 8 B and 8 D of Franchise Agreement	Items 8, 11 and 16
(j)	Warranty and customer service requirements	Not Applicable	Not Applicable
(k)	Territorial development and sales quotas	Exclusive Territory Addendum	Item 12
(l)	Ongoing product/service purchases	Section 8 D of Franchise Agreement	Item 8
(m)	Maintenance, appearance and remodeling requirements	Sections 8 A and 8 G of Franchise Agreement	Item 11
(n)	Insurance	Section 8 F of Franchise Agreement	Items 7 and 8
(o)	Advertising	Section 9 of Franchise Agreement	Items 6 and 11
(p)	Indemnification	Section 16 D of Franchise Agreement	Item 6
(q)	Owner's participation/ management/staffing	Section 8 C of Franchise Agreement	Items 11 and 15
(r)	Records and reports	Section 10 of Franchise Agreement	Not Applicable
(s)	Inspections and audits	Section 11 of Franchise Agreement	Not Applicable
(t)	Transfer	Section 12 of Franchise Agreement	Item 17
(u)	Renewal	Section 13 of Franchise Agreement	Items 6 and 17
(v)	Post-termination obligations	Section 15 of Franchise Agreement	Item 17
(w)	Non-competition covenants	Sections 7 and 15 of Franchise Agreement	Item 17
(x)	Dispute resolution	Section 17 of Franchise Agreement	Item 17

ITEM 10

FINANCING

Except as described below and in Items 5, 6, and 7, we do not offer direct or indirect financing arrangements We do not guarantee your note, lease, or other obligations Under some circumstances we may permit a franchisee to pay the initial franchise fee over a period of time not exceeding 6 months, by way of monthly, bi-monthly or quarterly installments If we finance a portion of the initial franchise fee, we will finance using a promissory note substantially in the form contained in Exhibit C (the "Initial Franchise Fee Promissory Note") If we decide to allow you to pay the initial franchise fee in installments, we may require you to pay us interest on the outstanding balance at a rate equal to the lesser of 18% per annum or the highest commercial contract interest rate the law allows The payments made under the Initial Franchise Fee Promissory Note are non-refundable The down payment, monthly, bi-monthly or quarterly installment payments and term will be subject to negotiation If you are a corporation, your shareholders must guarantee your obligations under the Initial Franchise Fee Promissory Note We do not impose a pre-payment penalty, however, there are no refunds of interest paid, which may, in effect, result in a prepayment penalty If you breach the Initial Franchise Fee Promissory Note, all principal and accrued interest payments are accelerated, and you are obligated to pay immediately the entire amount due and any court costs and attorney's fees if a collection action is necessary In addition, we may terminate the Franchise Agreement upon your breach of the Initial Franchise Fee Promissory Note See Exhibit C Under the Initial Franchise Fee Promissory Note, you waive various rights and defenses, including your rights to diligence, demand, and presentment for payment, notice of nonpayment, protest, and notice of amendments or modifications You also waive any defense under the statute of limitations and allow that a confessed judgment may be taken against you See Exhibit C

ITEM 11

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

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

Before you open your Business, we will provide you the following assistance

1 Consultation and approval of site (Sections 2 A of Franchise Agreement)

2 Initial training for your Designated Manager (as defined in Item 15) and one additional employee at our principal offices or at a designated training facility of our choice This training will last approximately 1-3 days (Section 4 of Franchise Agreement) This training can also be provided after you open your Business

3 Give you access to our Operations Manual (as defined below) (Section 4 C of the Franchise Agreement)

4 Specifications for all required equipment (including computer system), furniture, fixtures and signs (Sections 2 B and 2 C of the Franchise Agreement)

During your operation of the Business

1 Provide your Designated Manager or previously trained employees with additional training at the times and locations that we designate If you have a new Designated Manager, we will provide the new designated manager with an initial training program (Section 4 A of the Franchise Agreement)

2 We will administer a National Advertising and Promotional Fund (See "National Advertising and Promotional" below) (Section 9 A of the Franchise Agreement)

3 Give you access to our Operations Manual (as defined below) (Section 4 C of the Franchise Agreement)

4 We will advise you, from time to time, as we deem necessary for such advice is determined by us, concerning the operation of your Business (Section 4 B of the Franchise Agreement)

5 We will approve or disapprove the advertising materials you submit to us (Section 9 B of the Franchise Agreement)

6 We will provide you with a list of approved and recommended vendors and suppliers for the products and services (Section 8 D of the Franchise Agreement)

Advertising and Promotion

As one of our franchisees, you have access to a wide range of marketing programs and materials designed to build name awareness and promote the services provided by your Business These marketing programs and materials are funded by the National Advertising and Promotional Fund

National Advertising and Promotional Fund

We maintain and administer an advertising fund for Realty World® (the "National Advertising and Promotional Fund") to develop advertising, marketing, and public relations programs and materials for Realty World® Businesses Neither we nor our affiliates currently operate any Realty World® Businesses However, any Realty World® Business that we or our affiliates may own in the United States (but not elsewhere) in the future will contribute to the National Advertising and Promotional Fund on the same percentage basis as franchise owners

We will direct all programs that the National Advertising and Promotional Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation The National Advertising and Promotional Fund may pay for preparing and producing video, audio, and written materials and electronic media, developing, implementing, and maintaining a website and/or related strategies, administering regional and multi-regional marketing and advertising programs, including, without limitation, advertising for solicitation of new franchisees and Sales Representatives, purchasing trade journal, direct mail, and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance, and supporting public relations, market research, direct sales tools, and other advertising, promotion, and marketing activities However, we will not use over 20% of the National Advertising and Promotional Fund on advertising that is principally a solicitation of the sale of franchises The National Advertising and Promotional Fund to which you contribute periodically will give you samples of advertising, marketing, and promotional formats and materials at no cost We will sell you multiple copies of these materials at our direct cost of producing them, plus any related shipping, handling, and storage charges

We will account for the National Advertising and Promotional Fund separately from our other funds and not use the National Advertising and Promotional Fund for any of our general operating expenses However, we may use the National Advertising and Promotional Fund to pay the reasonable salaries and benefits of personnel who manage and administer the National Advertising and Promotional Fund, the National Advertising and Promotional Fund's other administrative costs, travel expenses of personnel while they are on Advertising Fund business, meeting costs, overhead relating to National Advertising and Promotional Fund business, and other expenses that we incur in activities reasonably related to administering or directing such National Advertising and Promotional Fund and its programs, including, without limitation, conducting market research, public relations, preparing advertising, promotion, and marketing materials, and collecting and accounting for National Advertising and Promotional Fund contributions

The National Advertising and Promotional Fund will not be our asset The National Advertising and Promotional Fund is not a trust We do not owe any fiduciary obligation to you for administering the National Advertising and Promotional Fund or any other reason We will hold all National Advertising and Promotional Fund contributions for the benefit of the contributors and use contributions for the purposes described in this Subsection The National Advertising and Promotional Fund may spend in any fiscal year more or less than the total National Advertising and Promotional Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use We will use all interest earned on the National Advertising and Promotional Fund contributions to pay costs before using the National Advertising and Promotional Fund's other assets We will prepare an annual, unaudited statement of National Advertising and Promotional Fund collections and expenses and give you the statement upon written request We may have the National Advertising and Promotional Fund audited annually, at the National Advertising and Promotional Fund's expense, by an independent certified public accountant We may incorporate the National Advertising and Promotional Fund or operate it through a separate entity whenever we deem appropriate

We intend for the National Advertising and Promotional Fund to maximize recognition of the Marks and patronage of Realty World® Businesses contributing to the National Advertising and Promotional Fund Although we will try to use the National Advertising and Promotional

Fund to develop advertising and marketing materials and programs, and to place advertising and marketing, that will benefit all Realty World® Businesses contributing to the National Advertising and Promotional Fund, we need not ensure that National Advertising and Promotional Fund expenditures in or affecting any geographic area are proportionate or equivalent to National Advertising and Promotional Fund contributions by Realty World® Businesses operating in that geographic area or that any Business benefits directly or in proportion to its National Advertising and Promotional Fund contribution from the development of advertising and marketing materials or the placement of advertising and marketing We have the right, but no obligation, to use collection agents and institute legal proceedings to collect National Advertising and Promotional Fund contributions at the National Advertising and Promotional Fund's expense We also may forgive, waive, settle, and compromise all claims by or against the National Advertising and Promotional Fund

We may at any time defer or reduce contributions of a Realty World® Business franchise owner and, upon 30 days' prior notice to you, reduce or suspend National Advertising and Promotional Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the National Advertising and Promotional Fund If we terminate the National Advertising and Promotional Fund, we will distribute all unspent monies to our franchise owners who contribute to the National Advertising and Promotional Fund, and to us and our affiliates, in proportion to their, and our, respective National Advertising and Promotional Fund contributions during the preceding 12 month period

During our fiscal year ended May 31, 2016, the National Advertising and Promotional Fund monies were spent as follows 65% on media placement services and 35% on production

Other Advertising Obligations

We recognize that in today's market advertising is vitally important to the real estate industry Whether advertising properties for sale, generating leads or recruiting salespeople it is of great importance that you utilize traditional advertising and social media to promote your business

You must promote your Business by spending on local advertising, marketing, and promotions within the area reasonably surrounding the Location a monthly amount for each Sales Representative in addition to the Minimum National Advertising and Promotional Fund Contribution If you fail to make the expenditures required, we may require that you contribute the amount you failed to spend to the National Advertising and Promotional Fund We also require you, as part of your local advertising obligation, to use an online lead generation service, which we estimate will cost between $50 to $100 per month

You must advertise your Business in Yellow Pages telephone directories in your area and in other business directories that we specify You must pay the cost of these advertisements
You must obtain our approval of your advertising, marketing and promotional materials, which we have not previously approved You may not use any advertising, marketing or promotional materials that we have disapproved, and that do not include copyright, trademark or other notices

we designate in writing You must provide us with samples of your direct mail pieces, marketing, advertising and promotional materials prior to use Although the Franchise Agreement does not require us to respond within a certain time period to requests for advertising or website approval, we will typically respond within 30 days of your submission

You must establish a Website at your sole expense that mentions or describes you or your Business or displays any of the Marks (the "Approved Website") You may not register any Internet domain names that include any of our Marks, including the "Realty World® name, except that you may register a domain name that includes the "Realty World®" name if it is part of the name that we approve for your business We will have final approval right over all content of the Approved Website and all links contained in the Approved Website You must also provide a link to the Franchise System Website (defined below) on your Approved Website We may terminate your right to maintain an Approved Website at any time and require you to maintain a webpage on the Franchise System Website

We have established a Website to advertise, market and promote Realty World® Businesses, the products and services that they offer and sell, and/or the Realty World® Business franchise opportunity (a "Franchise System Website") We may, but are not obligated to, provide you with a webpage on the Franchise System Website that references your Business If we provide you with a webpage on the Franchise System Website, you must (i) provide us with information and materials we request to develop, update, and modify your webpage, (ii) notify us whenever any information on your webpage is not accurate, (iii) if we give you the right to modify your webpage, notify us whenever you change the context of your webpage, and (iv) pay our then-current initial fee and/or monthly maintenance fee for the webpage You will require each Sales Representative at your Realty World® Business to have a website and you will provide us with the email addresses for all Sales Representatives

Computers

We currently do not require you to buy or use an electronic cash register or specific computer hardware However, we may require you to obtain and use specified computer hardware and/or software during the term of the Franchise Agreement Within 90 days after you receive notice from us, you agree to obtain the computer hardware or software that we designate There are no contractual limitations on the frequency or cost of this obligation

We do not currently have independent access to information stored on your computer system, but reserve the right to do so in the future

Operations Manual

We will provide guidance through manuals, audiotapes, video tapes, compact discs, computer software, information available on an Internet site, other electronic media, and/or written materials, including the Operations Manual (the "Operations Manual"), which may include one or more separate manuals as well as audiotapes, videotapes, compact discs, computer software, information available on an Internet site, other electronic media, and/or written materials We will provide you with a copy of the Operations Manual, at our option, either in the form of a hard copy or electronically online There are a total of approximately 184 pages in our Operations Manual See Exhibit G for the Table of Contents to the Operations Manual

Site Selection

You must obtain and maintain a site acceptable to us for your Business Your location must be at least 1,000 square feet

We will consult with you on a site, which we will approve or disapprove based on factors such as business count, traffic count, accessibility, parking, visibility and competition When you have given us all the necessary information on the site you have selected, we generally will approve or disapprove the site within 30 days Our approval of a site or review of a lease is not a guarantee of the success or profitability of the site If you cannot select a site we approve and open your Business within the time period required under the Franchise Agreement, we may terminate the Franchise Agreement You may not relocate without our prior written permission

Opening of the Business

You typically will open your Realty World® Business approximately 90 days after you sign the Franchise Agreement Factors that affect this time include obtaining a satisfactory site, lease negotiations, local ordinances, delivery and installation of equipment, and renovation of the premises You must open your Business within 180 days after the effective date of the Franchise Agreement If you fail to open the Business within this time period, we may terminate the Franchise Agreement and retain the entire franchise fee

Training

We will train your Designated Manager on the material aspects of operating a Realty World® Business We will provide approximately 1-3 days of training (although the specific number of days depends on our opinion of your Designated Manager and your employee's, experience and needs) at our principal offices, at a designated training facility of our choice or online Your Designated Manager must satisfactorily complete initial training within 10 months after the effective date of the Franchise Agreement If we determine that your Designated Manager cannot complete initial training to our satisfaction, we may terminate the Franchise Agreement We provide initial training for no additional fee for 2 persons You will be responsible for your employee's travel and living expenses, wages and workers' compensation insurance while attending training

Your Designated Manager may request additional training at the end of the initial training program, to be provided at our then current per diem charges, if your Designated Manager does not feel sufficiently trained in the operation of a Realty World® Business We and you will jointly determine the duration of this additional training However, if your Designated Manager satisfactorily completes our initial training program, and has not expressly informed us in writing at the end of that program that he/she does not feel sufficiently trained in the operation of a Realty World® Business, then you will be deemed to have been trained sufficiently to operate a Realty World® Business

We may require your Designated Manager and/or previously trained and experienced employees to attend and complete satisfactorily various training courses that we periodically choose to provide at the times and locations that we designate We will not require attendance at more than 2 such courses, or for more than a total of 3 business days, during a calendar year Besides attending these courses, you agree to attend an annual meeting of all Business franchise owners at a location we designate Attendance will not be required for more than 5 days during any calendar year You must pay all costs to attend

If you have a new Designated Manager during the term of your Franchise Agreement, the new Designated Manager must satisfactorily complete our then current initial training program We may charge reasonable fees for training such new designated manager You also must pay all travel and living expenses which your Designated Manager incurs during all training courses and programs

We will have the right to communicate our programs, systems, education, and training directly to your Sales Representatives Any training we agree to provide may be provided, at our option, through the Website, extranet or any other format we choose You agree that we will have the right to communicate our programs, systems, education, and training directly to your Sales Representatives

As of the date of this disclosure document, we provided the following initial training

TRAINING PROGRAM
BROKER BUSINESS LEADERSHIP CLASS

Subject[1, 2, 3]	Hours of Classroom Training	Hours of On-the-Job Training	Location
Orientation	1 Hour	None	Our principal office in Newport Beach, California, at a designated training facility of our choice or online
RW Programs and Tools	1 Hour	None	Our principal office in Newport Beach, California, at a designated training facility of our choice or online
Introduction to Vendors	1 Hour	None	Our principal office in Newport Beach, California, at a designated training facility of our choice or online
Recruiting and Retention	1 Hour	None	Our principal office in Newport Beach, California, at a designated training facility of our choice or online

Subject[1, 2, 3]	Hours of Classroom Training	Hours of On-the-Job Training	Location
Administrative and Management	1 Hour	None	Our principal office in Newport Beach, California, at a designated training facility of our choice or online
Marketing	1 Hour	None	Our principal office in Newport Beach, California, at a designated training facility of our choice or online

Explanatory Notes

1/ There are no definitive starting and stopping times for when the sessions will begin and end We will schedule the time when you request for us to conduct a training session, but in order to be cost effective, we need a minimum of 10 persons to participate in a training session

2/ These training courses are conducted by Lisa Gerdes who has had 2 years of experience with us and 28 years of experience in the subject matters taught Occasionally, other guest speakers may make appearances at the training programs, either in person and/or on our webinars, to provide real estate education and/or to provide information about various services and programs offered occasionally by us For example, some speakers may be existing franchisees or other industry experts

3/ We use various handouts as our principal instructional materials We provide training without additional cost to you for two attendees However, you must pay for travel and related expenses for all attendees At our option, we may also provide initial training through the Internet We also maintain a list of qualified persons, unaffiliated with us, who provide training in various businesses and real estate related areas Use of any of the persons is entirely at your discretion and their cost will vary In addition to initial training, we offer Realty World® Academy as ongoing training and make it available to you and your Sales Representatives in person or online for a fee (See Item 6)

ITEM 12

TERRITORY

Franchise Agreement

You may operate the Business only at a specific location which we approve Unless we offer you an exclusive territory under our form of Exclusive Territory Addendum, you will not receive an exclusive or protected territory You may face competition from other franchisees or from other channels of distribution or competitive brands that we control

We and our affiliates reserve the right to

(1) establish and operate, and allow others to establish and operate, other Realty World® Businesses and other real estate brokerage businesses using the Marks at any location and on such terms and conditions as we deem appropriate,

(2) establish and operate, and allow others to establish and operate, real estate brokerage businesses for commercial real estate only using the Marks and the Franchise System, at any location and on such terms and conditions we deem appropriate,

(3) establish and operate, and allow others to establish and operate real estate brokerage businesses, located anywhere, that may offer products and services which are identical or similar to products and services offered by Realty World® Businesses, under other trade names, trademarks, service marks and commercial symbols different from the Marks, and on any terms and conditions we deem appropriate,

(4) establish, and allow others to establish, other businesses and distribution channels (including, but not limited to, the Internet), wherever located or operating regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from the Realty World® Businesses, and that sell products and/or services that are identical or similar to, and/or competitive with, those that the Realty World® Businesses customarily sell under any terms and conditions we deem appropriate,

(5) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Realty World® Businesses, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating,

(6) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at Realty World® Businesses, or by another business, and

(7) engage in all other activities not expressly prohibited by the Franchise Agreement

We are not required to pay you if we exercise any of the rights specified above Under the Franchise Agreement, you do not receive the right to acquire additional franchises You may not relocate your office to a new location without our prior written consent

Our affiliate, HomeLife® grants licenses for real estate brokerage businesses under the trademark "HomeLife® " Another affiliate, Red Carpet International, Inc , is also the franchisor of real estate brokerage businesses FamilyLife Realty Services, Inc , may also operate real estate brokerage businesses These businesses may compete with your Realty World® Business These businesses have the right to solicit your potential client and their rates may be more competitive than yours All of our affiliates have the intention of expanding throughout the United States Though we do not anticipate conflicts between franchisees of each brand concept, if a conflict should arise, we will analyze them and take action (if any) that we deem appropriate

Exclusive Territory Addendum

Under certain circumstances, we offer to certain qualified persons that meet our criteria the right to operate a Realty World® Business with an exclusive territory If we grant you an exclusive territory, you must sign our Exclusive Territory Addendum attached as Exhibit B-1, and, so long as you are in compliance with the Franchise Agreement, we will not operate a franchise or grant a franchise for the operation of another Realty World® Business within a certain geographical area (the "Exclusive Territory") The minimum Exclusive Territory will typically be a quarter (1/4) mile driving distance (measured door to door) from the Business' location Factors that we will consider in granting an Exclusive Territory will include, but are not limited to, the size of the territory, the general population within territory, the number of real estate salespersons within the territory, market conditions, and other factors we deem relevant We will configure the quarter (1/4) mile distance from your location by way of different shapes of boundaries

Under the Exclusive Territory Addendum, neither we nor our affiliates will operate or grant a franchise for the operation of another Realty World® Business with an office located in your Exclusive Territory However, we reserve the right to grant a license for a Realty World® commercial real estate brokerage office in your Exclusive Territory Other Realty World® Businesses located outside of your Exclusive Territory may market in your Exclusive Territory You are not prohibited from marketing outside of your Exclusive Territory You have to meet minimum Sales Representative quotas to maintain your rights to the Exclusive Territory

We and our affiliates reserve the right to

(1) establish and operate, and allow others to establish and operate, other Realty World® Businesses using the Marks at any location outside the Exclusive Territory and on such terms and conditions as we deem appropriate,

(2) establish and operate, and allow others to establish and operate, real estate brokerage businesses for commercial real estate only using the Marks and the Franchise System, at any location and on such terms and conditions we deem appropriate,

(3) establish and operate, and allow others to establish and operate real estate brokerage businesses, located anywhere (including within the Exclusive Territory), that may offer products and services which are identical or similar to products and services offered by Realty World® Businesses, under other trade names, trademarks, service marks and commercial symbols different from the Marks, and on any terms and conditions we deem appropriate,

(4) establish, and allow others to establish, other businesses and distribution channels (including, but not limited to, the Internet), wherever located or operating regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from the Realty World® Businesses, and that sell products and/or services that are identical or similar to, and/or competitive with, those that the Realty World® Businesses customarily sell under any terms and conditions we deem appropriate,

(5) engage in, and allow others (including Realty World® Businesses), to engage in real estate brokerage services for new home developments located anywhere (including within the Exclusive Territory),

(6) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Realty World® Businesses, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating,

(7) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at Realty World® Businesses, or by another business, and

(8) engage in all other activities not expressly prohibited by the Franchise Agreement

We are not required to pay you if we exercise any of the rights specified above inside your Exclusive Territory

ITEM 13

TRADEMARKS

Under the terms of the Franchise Agreement, we grant you the non-exclusive right to operate a Realty World® Business under the Marks You may not use any of the Marks as part of your firm or corporate name However, you may file a d/b/a using the Marks in your d/b/a name You may not use the Marks in the sale of unauthorized products or services or in any manner we do not authorize You may not use the Marks in any advertising for the transfer, sale or other disposition of the Business or any interest in the franchise The following Marks are owned by Realty World®, Inc and are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO")

Mark	Registration Number	Registration Date
Realty World®	2,190,318	09/22/98
Partial Globe[1] ®	2,289,033	10/26/99
The Right Agent Makes All the Difference in the World®	4131660	11/13/90
REALTY WORLD	2,190,317	09/22/98

For each registration noted above, all required affidavits and renewals have been filed

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the Marks which are relevant to their use by our franchisees

You must notify us immediately when you learn about an infringement of or challenge to your use of any of the Marks We may take action we think appropriate, and we will control any litigation or administrative proceeding

[1] You are required to always use the partial globe design logo together with our word mark "Realty World®" as indicated in our Operations Manual, as amended by us at our sole and absolute discretion The partial globe design logo should not be used separately and apart of the word mark "Realty World®"

If we decide to modify or discontinue use of any of the Marks or to use one or more additional or substitute Marks, you must follow our directions to modify or discontinue use of the Marks or to use one or more additional or substitute Marks within a reasonable time after notice We need not reimburse you for your direct expenses of changing your Businesses signs or other materials, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark

We are not required to indemnify you for any costs that you incur in defending the claim brought against you or any proceeding where you are named as a party because of your authorized and proper use of the Marks We may defend and control the defense of any proceeding from your use of any of the Marks

In 2001, we granted Realty World – Northern California, Inc the exclusive license to use the Realty World name and marks within most of the State of Nevada and the northern part of the State of California under a license agreement that has an initial term of 99 years with the right to renew for successive terms of 99 years In 2014, Realty World – Northern California, Inc assigned the license agreement to Nexthome, Inc

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents which are material to the franchise

We have not obtained any copyright registration that is material to the franchise However, we claim common copyright law rights protection for our Operations Manual, brochures and marketing materials and similar items You may use these items only as we specify while operating your franchise and must stop using them if we so direct you Neither you nor your Sales Representatives may reproduce these materials or adapt them for use on any Internet or other computer network without our approval

There are no determinations of the U S Copyright Office or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the copyrighted materials which are relevant to their use by our franchisees

We will disclose certain information of ours, and our affiliates that is confidential, proprietary, and considered part of our trade secrets in which we claim a valid economic interest as a result of our investment and research efforts to develop such information We may further disclose to you certain information that is confidential and proprietary that may be acquired by us through a licensing agreement The confidential, proprietary, and trade secret information may be part of the products, services, and programs we offer Such confidential, proprietary, or trade secret information may include financial, business information patterns, plans, compilations, program devices, formulas, designs, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing

Except as necessary, in connection with the operation of your Realty World® Business and as we approve, during the term or at any time after the expiration or termination of the Franchise Agreement, you may not directly or indirectly use for your own benefit or communicate or divulge to, or use for the benefit of, any other person or entity, any confidential, proprietary, or trade secrets that you acquired during the existence of the your relationship with us Some of our affiliates may use and offer similar proprietary confidential or trade secret information under special licensing agreements

In particular we have designed and implemented 5 proprietary and innovative compensation, recruiting and mentoring programs called the "LifeTime Income Program™," "LifeTime Income® Program v 2," Smart Model℠," "The Wall Street Plan 104™" and Fortune 500 which you may adopt and use to assist and enhance your ability in recruiting licensed real estate salespersons

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We do not require that you personally supervise the Business or attend training We expect that you will designate a manager (the "Designated Manager") to be the point of contact between us and the Business This manager need not have an ownership interest in you if you are a legal entity, and we place no restrictions on your ability to choose managers

Because every state requires that a real estate brokerage 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 of any change We place no limitations on who you designate as your broker of record if this broker of record meets the licensing requirements, and he or she may be you, one of your owners, a manager or an employee

If you are a corporation, limited liability company or partnership or other legal entity, your owners must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations of the Franchise Agreement and all other agreements related to the Business

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may not use the Business or the premises of the Business for any purpose other than the operation of a Business in compliance with the Franchise Agreement You may not offer any products or services that we have not approved You must offer all products and services that we require to be offered at the Business We may change the types of products and services required to be offered at the Business on reasonable written notice to you There are no limits on our right to do so We do not restrict the customers to whom you may sell approved products and services

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTIONS

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 Agreements	Summary
(a)	Length of the franchise term	Section 1 D	5, 7, 10, 15 or 20 year term (at your discretion)
(b)	Renewal or extension of the term	Section 13	If you are in full compliance, you may acquire one successor franchise on our then-current terms (which may be materially different from existing terms) for of 5, 7, 10, 15 or 20 years (at your discretion)

Provision	Section in Franchise or Other Agreements	Summary
(c) Requirements for franchisee to renew or extend	Section 13	Give us timely notice, maintain possession of your Businesses' premises or find acceptable suitable premises, remodel your Business according to our then-current standards (regardless of cost), pay a renewal fee and sign new franchise agreement and other documents we use to grant franchises Under the Franchise Agreement, "renewal" means one single additional term for a period of 5, 7, 10, 15 or 20 years (at your discretion) In connection with any renewal and provided you have substantially complied with the Franchise Agreement, you must maintain execute our then-current form of franchise agreement, which may provide materially different terms and conditions than your original franchise agreement, such as different fee requirements and renewal rights, refurbish or relocate your Business as needed and pay renewal fee
(d) Termination by franchisee	Not applicable	You may not terminate the Franchise Agreement
(e) Termination by franchisor without cause	Not applicable	We may not terminate the Franchise Agreement
(f) Termination by franchisor with cause	Section 14	We may terminate only if you or your owners commit one of several violations
(g) "Cause" defined – curable defaults	Section 14	Under Franchise Agreement, you have 10 days to cure monetary defaults and failure to maintain insurance, 30 days to cure operational defaults and other defaults not listed in (h) below, and 90 days to relocate your Business to a new site if you lose possession of the premises

Provision	Section in Franchise or Other Agreements	Summary
(h) "Cause" defined – non-curable defaults	Section 14	Non-curable default under Franchise Agreement include failure to open your Business within 180 days after the Franchise Agreement's effective date, failure to complete training within 10 months of opening, abandonment, unapproved transfers of your Business, material misrepresentations or omissions, conviction of a felony, dishonest or unethical conduct, unauthorized use of the Operations Manual or other confidential information, failure to pay taxes, understating Gross Revenues, repeated defaults (even if cured), an assignment for the benefit of creditors, appointment of a trustee or receiver, failure to comply with anti-terrorism laws, suspension or revocation of real estate license, and failure to comply with other agreements with us or our affiliates and do not correct failure within applicable cure period, if any
(i) Franchisee's obligations on termination/non-renewal	Section 15	Obligations include paying outstanding amounts, complete de-identification, assigning telephone and other numbers, and returning confidential information (also see (o) and (r) below
(j) Assignment of contract by franchisor	Section 12 A	No restriction on our right to assign, we may assign without your approval
(k) "Transfer" by franchisee – defined	Section 12 B	Includes transfer of Franchise Agreement, sales of your Businesses' assets, transfer of ownership interest in you or your owners
(l) Franchisor's approval of transfer by franchisee	Section 12 B	No transfer without our prior written consent

Provision		Section in Franchise or Other Agreements	Summary
(m)	Conditions for franchisor approval of transfer	Section 12 C	New franchise owner qualifies, you pay us, our affiliates, and third party vendors all amounts due and submit all required reports, no default during 60 day period before transfer request or during period between request and transfer's proposed effective date, new franchise owner (and its owners and affiliates) are not in a competitive business, training completed, lease transferred, transferee agrees to upgrade and remodel your Business according to our specifications, if necessary, within 45 days after transfer's effective date, you or your transferee signs our then-current franchise agreement and other documents, transfer fee paid, we approve purchase price and payment terms, you subordinate amounts due to you, you de-identify, and you sign release (if law allows) (also see (r) below)
(n)	Franchisor's right of first refusal to acquire franchisee's business	Section 12 F	We may match any offer for your Business or an ownership interest in you
(o)	Franchisor's option to purchase franchisee's business	Not applicable	
(p)	Death or disability of franchisee	Section 12 E	Assignment of franchise or an ownership interest in you to approved party within 9 months, we may manage your Business if there is no qualified Designated Manager approved by us

	Provision	Section in Franchise or Other Agreements	Summary
(q)	Non-competition covenants during the term of the franchise	Section 7	No diverting business, no ownership interest in, or performing services for competitive business anywhere ("competitive business" means (i) any real estate brokerage business, or (ii) any business granting franchises or licenses to others to operate real estate brokerage businesses (other than a Business operated under a franchise agreement with us)
(r)	Non-competitions covenants after the franchise is terminated or expires	Section 15 D	No direct or indirect ownership interest in any competitive real estate business within a 25 mile radius of your Business or any other Business in operation for 2 years after termination of the Franchise Agreement
(s)	Modification of the Agreement	Section 17 L	No modifications except in writing, but we may change the Operations Manual and System Standards
(t)	Integration/merger clause	Section 17 O	Only the terms of the Franchise Agreement (including System Standards in the Operations Manual) are binding (subject to state law) However, nothing in the Franchise Agreement or any related agreement is intended to disclaim our representations made in the Disclosure Document
(u)	Dispute resolution by arbitration or mediation	Section 17 F	Except for certain claims, we and you must submit all disputes for non-binding mediation before any lawsuit is initiated
(v)	Choice of forum	Section 17 H	Subject to mediation requirement and state law, litigation generally must be in courts nearest our then-current principal place of business (currently, Newport Beach, California)
(w)	Choice of law	Section 17 G	Except for federal laws in the U S , laws of that state in which Business is located (subject to state law)

Applicable state law might require additional disclosures related to the information contained in this Item 17 These additional disclosures, if any, appear in Exhibit I

ITEM 18

PUBLIC FIGURES

We do not use any public figure to promote our franchise Although the Franchise Agreement does not prohibit you from using a public figure in promotion or advertising, we must approve any public figure, media, time and text that you propose to use

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 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 Realty World® Businesses 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 Realty World® Business, however, we may provide you with the actual records of that Realty World® Business If you receive any other financial performance information or projections of your future income, you should report it to us by contacting Lisa Gerdes, Realty World, Inc, 1101 Dove Street, Suite 228, Newport Beach, California 92660, (714) 436-9009, the Federal Trade Commission and the appropriate state regulatory agencies

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE NO 1

SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2014 TO 2016[1]

Outlet Type	Year	Realty World® Businesses at the Start of the Year	Realty World® Businesses at the End of the Year	Net Change
Franchised	2014	93	79	-14
	2015	79	74	-5
	2016	74	71	-3
Company-Owned	2014	0	0	0
	2015	0	0	0
	2016	0	0	0
Total Outlets	2014	93	79	-14
	2015	79	74	-5
	2016	74	72	-2

1/ The numbers in this table are as of May 31 for each year

TABLE NO 2

FRANCHISED REALTY WORLD® BUSINESSES TRANSFERS OF REALTY WORLD® BUSINESSES FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE) FOR YEARS 2014 TO 2016[1]

State	Year	Number of Transfers
All States	2014	0
	2015	0
	2016	0
Total	2014	**0**
	2015	**0**

State	Year	Number of Transfers
	2016	**0**

1/ The numbers in this table are as of May 31 for each year

TABLE NO. 3

FRANCHISED REALTY WORLD® BUSINESSES
STATUS OF FRANCHISED REALTY WORLD® BUSINESSES
FOR YEARS 2014 TO 2016

State	Year	Realty World® Businesses at Start of Year	Realty World® Businesses Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Realty World® Businesses at End of Year[2]
Alabama	2014	2	0	-2	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Arizona	2014	2	0	-1	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Arkansas	2014	1	0	-1	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
California	2014	37	4	-7	0	0	-1	33
	2015	33	3	-10	0	0	0	26
	2016	26	2	-3	0	0	0	25

State	Year	Realty World® Businesses at Start of Year	Realty World® Businesses Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Realty World® Businesses at End of Year[2]
Colorado	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Connecticut	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
Florida	2014	17	0	-2	0	0	0	15
	2015	15	7	-3	0	0	-1	18
	2016	18	2	-1	0	0	0	19
Georgia	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Idaho	2014	2	0	-1	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Illinois	2014	3	0	0	0	0	0	3
	2015	3	0	0	0	0	0	3
	2016	3	0	0	0	0	0	3
Indiana	2014	2	1	0	0	0	0	3
	2015	3	0	0	0	0	0	3

State	Year	Realty World® Businesses at Start of Year	Realty World® Businesses Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Realty World® Businesses at End of Year[2]
	2016	3	0	0	0	0	0	3
Kansas	2014	1	0	0	0	0	0	1
	2015	1	0	-1	0	0	0	0
	2016	0	0	0	0	0	0	0
Kentucky	2014	2	0	0	0	0	0	2
	2015	2	1	0	0	0	0	3
	2016	3	0	-1	0	0	0	2
Louisiana	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Maryland	2014	2	1	0	0	0	0	3
	2015	3	0	-1	0	0	0	2
	2016	2	1	0	0	0	0	3
Massachusetts	2014	4	0	0	0	0	0	4
	2015	4	0	0	0	0	0	4
	2016	4	0	-1	0	0	0	3
Michigan	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0

State	Year	Realty World® Businesse's at Start of Year	Realty World® Businesses Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Realty World® Businesses at End of Year[2]
Minnesota	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	-1	0	0	0	0
Missouri	2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1
	2016	1	0	-1	0	0	0	0
Montana	2014	1	0	-1	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Nevada	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	-1	0	0	0	1
New Jersey	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
New Mexico	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
New York	2014	0	0	0	0	0	0	0

State	Year	Realty World® Businesses at Start of Year	Realty World® Businesses Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Realty World® Businesses at End of Year[2]
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Ohio	2014	0	0	0	0	0	0	0
	2015	1	0	0	0	0	0	1
	2016	1	1	0	0	0	0	1
Oklahoma	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Oregon	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Tennessee	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Texas	2014	4	0	0	0	0	3	1
	2015	1	1	0	0	0	0	2
	2016	2	0	0	0	0	0	2
Utah	2014	1	0	-1	0	0	0	0
	2015	0	0	0	0	0	0	0

State	Year	Realty World® Businesses at Start of Year	Realty World® Businesses Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Realty World® Businesses at End of Year[2]
	2016	0	0	0	0	0	0	0
Virginia	2014	2	0	0	0	0	0	2
	2015	2	0	0	-2	0	0	0
	2016	0	0	0	0	0	0	0
Washington	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
West Virginia	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Wisconsin	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
Totals	2014	93	6	-16	0	0	4	79
	2015	80	13	-15	-2	0	-1	75
	2016	**75**	**5**	**-8**	**0**	**0**	**0**	**72**

1/ The numbers in this table are as of May 31 for each year

2/ We also have subfranchisors with territories in the States of North Carolina, South Carolina and Pennsylvania and a licensee with territories in Northern Nevada and Northern California The subfranchisors and the licensee have entered into license agreements for approximately 231 real estate brokerage businesses operating under the name "Realty World® "

TABLE NO 4

STATUS OF COMPANY-OWNED REALTY WORLD® BUSINESSES FOR YEARS 2014 TO 6(1)

There were no company-owned Realty World® Businesses as of the end our last 3 fiscal years

State	Year	Realty World® Businesses at Start of Year	Realty World® Businesses Opened	Realty World® Businesses Reacquired from Franchisee	Realty World® Businesses Closed	Realty World® Businesses Sold to Franchisee	Realty World® Businesses at End of Year
Totals	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0

TABLE NO 5

REALTY WORLD® BUSINESSES PROJECTED FRANCHISE OPENINGS[1] AS OF MAY 31, 2016 for 2017

State	Franchise Agreements Signed But Realty World® Business Not Opened	Projected New Franchised Realty World® Businesses in the Next Fiscal Year	Projected New Company-Owned Realty World® Businesses in the Next Fiscal Year
Arizona	0	5	0
California	0	15	0
Illinois	0	5	0
Kentucky	0	3	0
Maryland	0	3	0
Nevada	0	5	0
Texas	0	10	0
Virginia	0	4	0
Washington	0	4	0

State	Franchise Agreements Signed But Realty World® Business Not Opened	Projected New Franchised Realty World® Businesses in the Next Fiscal Year	Projected New Company-Owned Realty World® Businesses in the Next Fiscal Year
Totals	**0**	**54**	**0**

1/ We do not make any projections for North Carolina, South Carolina, Pennsylvania, Northern Nevada or Northern California (See explanatory note 2 under the Table 3 chart for additional information)

Exhibit E is a list of our franchisees as of May 31, 2016 Exhibit F is a list of the name, city and state, and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had their franchise agreement terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during fiscal year 2016 or who has not communicated 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 buyers when you leave the franchise system

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Realty World® franchise system You may wish to speak with current and former franchisees, but we are aware that not all such franchisees will be able to communicate with you We are not aware of any trademark-specific franchisee organizations associated with our franchise system

ITEM 21

FINANCIAL STATEMENTS

Our audited financial statements for the fiscal years ending May 31, 2016, May 31, 2015, and May 31, 2014 are attached as Exhibit D

ITEM 22

CONTRACTS

The Franchise Agreement is attached to this disclosure document as Exhibit B, the Exclusive Territory Addendum is attached to this disclosure document as Exhibit B-1, the Disclosure Acknowledgment Statement is attached to this disclosure document as Exhibit H and the State-Specific Additional Disclosures and Riders to the Franchise Agreement are attached to this disclosure document as Exhibit I

ITEM 23

RECEIPT

Exhibit J contains detachable documents acknowledging your receipt of the disclosure document