FRANCHISE DISCLOSURE DOCUMENT

REALTY WORLD®, INC.
a Nevada corporation
1101 Dove Street, Suite 228
Newport Beach, California 92660
(714) 436-9009
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 Realty World® conversion franchise ranges from $34,200 to $110,000, and the total investment necessary to begin operation of a Realty World® start-up franchise ranges from $60,000 to $195,000. This includes $18,000 that must be paid to the franchisor. The total investment necessary to begin operation of a Realty World® franchise with an exclusive territory ranges from $62,000 to $357,000. This includes $18,000 to $180,000 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 payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact 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 the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

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

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

ISSUANCE DATE: August 28, 2018

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. YOUR SPOUSE MUST SIGN A DOCUMENT THAT MAKES YOUR SPOUSE LIABLE FOR ALL YOUR FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT EVEN THOUGH YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN THE FRANCHISE. THIS GUARANTEE WILL PLACE BOTH YOUR AND YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS, PERHAPS INCLUDING YOUR HOUSE, AT RISK IF YOUR FRANCHISE FAILS.

3. THERE MAY BE OTHER RISKS CONCERNING THIS 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	Pending
Hawaii	Pending
Illinois	August 30, 2018
Indiana	August 30, 2018
Maryland	Pending
Michigan	August 28, 2018
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	August 28, 2108

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 28, 2018.

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

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 agents for service of process are disclosed in Exhibit A.

We began offering franchises for real estate brokerage businesses in June 2000. We have not offered franchises in any other line of business. We have no parent, and we have no predecessor during the 10-year period immediately before the close of our most-recent fiscal year.

Our affiliate, HomeLife® Realty Services Inc., has offered franchises in Canada for real estate brokerage businesses since March 1985. Its principal business address is 28 Drewry Avenue, Toronto, Ontario M2M 1C8. It currently has 147 franchised locations in Canada. It has never offered franchises in any other line of business.

Our affiliate, HomeLife® International, Inc. ("HomeLife®"), offered franchises for real estate brokerage businesses from July 2008 through 2011 and intends to begin offering franchises again this fiscal year. HomeLife® shares our principal business address. It currently has 2 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®"), offered franchises for real estate brokerage businesses from July 2008 through 2011 and intends to begin offering franchises again this fiscal year. Red Carpet® shares our principal business address. It currently has 7 franchised locations in the United States. It has never offered franchises in any other line of business.

Since its incorporation in March 2006, our affiliate, Move In and Out, Inc. ("Move In and Out"), has maintained a website that offers information regarding moving and relocation services. Realty World® Businesses may choose to participate as a member of the website. Its principal business address is 28 Drewry Avenue, Toronto, Ontario M2M 1C8. Move In and Out has never operated any other business or offered franchises in any line of business.

Since its incorporation in December 2007, our affiliate, Ads and Deals, Inc., has engaged in maintaining a website that offers online classified advertising. Realty World® Businesses may choose to participate as a member of the website. Its principal business address is 28 Drewry Avenue, Toronto, Ontario M2M 1C8. Ads and Deals, Inc., has never operated any other business or offered franchises in any line of business.

Since its incorporation in February 2006, our affiliate, Job YoYo Inc., has engaged in maintaining a website that offers online job searching and hosting. Realty World® Businesses may choose to participate as a member of the website. Its principal business address is 28 Drewry Avenue, Toronto, Ontario M2M 1C8. Job YoYo Inc. has never operated any other business or offered franchises in any line of business.

Since December 2015, our affiliate, Taxi Property Management Ltd., has offered software for the operation of property management businesses. Realty World® Businesses may choose to use this software. Its principal business address is 28 Drewry Avenue, Toronto, Ontario M2M 1C8. Taxi Property Management Ltd. has never operated any other business or offered franchises in any line of business.

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 (excluding commercial real estate and new home developments) 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. Except as described above, we have no other business activities.

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 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 Red Carpet® International, Inc., since July 1996; (11) President of Max American Home Warranty, Inc., since

July 1996; (12) President and Chief Executive Officer of HomeLife® International, Inc., since October 1986; (13) President of HomeLife® Realty Services, Inc., since March 1985; (14) President of HomeLife® International, Inc., since July 2004; (15) President of Simcoe Fox Developments, Inc., since 1976; (16) President of Cimerman Real Estate Ltd./HomeLife® since April 1973; (17) Chief Executive Officer of pololoans Inc. since October 2014; and (18) President and Chief Executive Officer of Reallium Technologies, Inc. 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 1988 to April 2014, Ms. Gerdes held various positions with Tarbell, Realtors, headquartered in Santa Ana, California, most recently serving as its Vice President and Managing Broker.

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

Realty World, Inc. v. NextHome, Inc., No. 4:16-cv-5761 (N.D. Cal. Filed October 6, 2016). For nearly 20 years, Realty World-Northern California, Inc. ("RWNC") served as our master licensee in Northern California and specific regions in Nevada (the "RWNC Territory"). In May of 2014, NextHome, Inc. ("NextHome") acquired the assets of RWNC and took over as our master licensee for the RWNC Territory, subject to the terms of our master license agreement with RWNC. We believe that sometime after the acquisition, NextHome leveraged the Realty World® name, business model, and resources to build out a competing franchisor of real estate brokerage businesses under the name "NextHome" and solicited several Realty World® franchisees and their agents.

On October 6, 2016, we initiated a lawsuit against NextHome, its CEO and co-founder James Dwiggins ("Dwiggins"), and unnamed parties (identified as DOES 1 through 20) for (1) breach of the master license agreement, (2) breach of the implied covenant of good faith and fair dealing, (3) trademark infringement and counterfeiting under 15 U.S.C. § 1114, (4) false designation of origin under 15 U.S.C. § 1125(a), (5) intentional interference with contract, (6) intentional interference with prospective economic advantage, (7) declaratory relief, (8) violation of California Business and Professions Code § 17500, and (8) violation of California Business and Professions Code § 17200.

In the Complaint, we sought relief in the form of general and special damages in an amount to be proven at trial, statutory damages for willful counterfeiting, interest, reasonable attorneys' fees, costs of litigation, and any other relief ordered by the court. We also sought injunctive relief to preliminarily and permanently enjoin NextHome and Dwiggins from (1) engaging in any of the unlawful, unfair and fraudulent business acts, practices and deceptive advertising identified in the Complaint, and (2) unlawfully using the Realty World® name or marks.

On November 1, 2016, NextHome and Dwiggins responded to our lawsuit by filing an answer and counterclaims (the "Answer and Counterclaim"). The counterclaims were asserted by NextHome against us, Andrew Cimerman, NextHome International, Inc., a Canadian corporation ("NHII"), and Ying Tack "Doug" Wong. On September 8, 2017, the Answer and Counterclaim was amended (the "Amended Answer and Counterclaim") to include Next Home, Inc., a Canadian corporation ("NHI"), as another counter-defendant in the lawsuit.

The Amended Answer and Counterclaim contained seven counterclaims. Only one of the counterclaims was asserted against us. It was for breach of the master license agreement by allegedly failing to provide a website link and to properly maintain, protect and police the use of Realty World® marks. The remaining six counterclaims – for violation of the Anticybersquatting Consumer Protection Act, trademark infringement and counterfeiting, unfair competition in violation of 15 U.S.C. § 1125(a)(1)(A), trademark and trade name infringement (Count V), false advertising and unfair competition in violation of California Business and Professions Code §§ 17500 *et seq.* and 17200 *et seq.*, and unfair competition under California common law – were asserted against Mr. Cimerman, Mr. Wong, NHII and NHI for allegedly registering domain names that incorporated NextHome's name and were confusingly similar to NextHome's website address, and for using the name "Next Home" in connection with the formation and/or registration of the Canadian entities NHI and NHII.

In the Amended Answer and Counterclaim, NextHome sought an unspecified amount of actual damages, injunctive relief, an order requiring the transfer of certain domain names to NextHome, an order requiring the dissolution or cancellation of the incorporation of NHI and NHII, attorney's fees and costs, treble damages, statutory damages, interest, and any other relief ordered by the court.

The parties have since resolved their dispute and entered into a Settlement Agreement and Mutual General Release (the "Settlement Agreement"), effective February 1, 2018. Under the terms of the Settlement Agreement, the parties agreed as follows:

(i) NextHome, in exchange for a one-time purchase price of $1,000, will depart the Realty World® system by selling and forever assigning to us its rights and obligations under the master license agreement and certain franchise agreements between NextHome and Realty World® franchisees. This sale and assignment is effective February 1, 2020, and contingent upon our financial solvency, our continued ownership of the Realty World® assets, and continued business of providing franchise services at the time of the sale and assignment;

(ii) The master license agreement is amended as follows:

(a) to allow us to offer and sell Realty World® franchises in the RWNC Territory starting the effective date of the Settlement Agreement, and to provide all of the service and support for those new franchisees that join the system. We also are to indemnify NextHome from certain claims that may arise from our offer, sale or enrolling of Realty World franchisees in the RWNC Territory;

(b) to preclude NextHome from enrolling any new Realty World® franchisee, provided however, NextHome may continue to renew existing Realty World® franchise agreements and/or transfer the rights of any franchisees in the RWNC Territory to any new or existing franchisees to the extent permitted by law; and

(c) to preclude us from communicating with certain Realty World® franchisees in the RWNC Territory for a specified period of time.

(iii) NextHome is not permitted to convert to its competing franchise system certain existing franchisees of Realty World®, or receive any compensation in connection with specified Realty World® franchisees joining any third-party real estate brand;

(iv) On February 1, 2019, we and Mr. Cimerman must deliver a signed non-disclosure agreement to NextHome at which point NextHome will provide us and Mr. Cimerman with copies of the franchise agreements of specified Realty World® franchisees in the RWNC Territory on a confidential basis;

(v) All parties agreed to cease any use of the other's names and trademarks;

(vi) Each party granted the other parties a full general releases of all claims;

(vii) All parties expressly denied liability, fault, responsibility and guilt of any kind in connection with the claims alleged in the lawsuit;

(viii) All parties agreed not to make any false or disparaging comments about any other Party relating to the events or acts giving rise to the lawsuit or Settlement Agreement; and

(ix) We and NextHome agreed to not solicit certain franchisees and agents of the other for a specified period of time.

On February 9, 2018, the court entered a formal dismissal of the lawsuit, dismissing the entire action with prejudice.

Except for the 1 matter disclosed above, no litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

You must pay us an initial franchise fee of $18,000 when you sign the Franchise Agreement. Under limited circumstances, and at our sole discretion, an exclusive territory (excluding commercial real estate and new home developments) may be available under our Exclusive Territory Addendum. The amount of the initial franchise fee under the Exclusive Territory Addendum will range from $18,000 to $180,000 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, and we will agree to the initial franchise fee and fill in the initial franchise fee on the Exclusive Territory Addendum before you sign the Exclusive Territory Addendum.

You must pay us the initial franchise fee in a lump sum 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 Franchise Agreement you sign. The initial franchise fee is nonrefundable under any and all circumstances and is fully earned by us when you sign the Franchise Agreement. 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 in the form attached as Exhibit C.

During our fiscal year ended May 31, 2018, we charged initial franchise fees ranging from $3,000 to $12,500.

Our franchisees may receive a percentage of the initial franchise fee (ranging from 10% to 50%) for referring new franchisees to us as part of our Share the Wealth Program.

ITEM 6

OTHER FEES

PERCENTAGE FEE OPTION FEES[(1),(2)]

Type of Fee[(4),(5)]	Amount	Due Date	Remarks
Royalty Fees[(5),(12)]	4% of Gross Revenue[(7)] for the first $1,000,000 in Gross Revenue in a given calendar year; 1% of Gross Revenue for amounts of Gross Revenue above $1,000,000 in a given calendar year	Due on the 25th day of the calendar month	
National Advertising and Promotional Fund Contribution	1% of Gross Revenue[(7)] for the first $1,000,000 in Gross Revenue in a given calendar year; no further contributions required after you obtain $1,000,000 in Gross Revenue in a given calendar year	Due on the 25th day of the calendar month	

FLAT FEE OPTION FEES[(1),(3)]

Type of Fee[(4),(5)]	Amount	Due Date	Remarks
Royalty Fees[(5),(12)]	The product of $74 multiplied by the number of Sales Representatives[(6)] registered with your Business subject to a cap of 100 Sales Representatives (for a maximum of $7,400 per month)[(8)]	Due on the 25th day of the calendar month	
National Advertising and Promotional Fund Contribution	The sum of: (a) $50; plus (b) the product of $25 multiplied by the number of Sales Representatives[(6)] registered with your Business subject to a cap of 100 Sales Representatives (for a maximum of $2,550 per month)[(9)]	Due on the 25th day of the calendar month	

GENERAL FEES

Type of Fee[(4),(5)]	Amount	Due Date	Remarks
Support Fee[(11)]	$225 per month	Due on the 25th day of each month	We use the Support Fee to help defray the costs we incur in providing ongoing assistance to our franchisees

Type of Fee[(4),(5)]	Amount	Due Date	Remarks
TechPack Fee	Currently $64.99 per month for your office plus $39.99 per month for each Sales Representative registered with your office who elects to use the TechPack software platform. (A minimum of 50% of your Sales Representatives must register to use TechPack.) $4.99 per month per user for optional premium upgrade. May be increased in our discretion.	Monthly (beginning on the day you first sign up for services and on the same day of each subsequent month)	You must sign a Computer Software Licensing Agreement with us. Under the Computer Software Licensing Agreement, you receive access to an internet-based software platform ("TechPack") incorporating various third-party software programs covering marketing, advertising, and other technology services. The current form of Computer Software Licensing Agreement is attached as Exhibit D to the Franchise Agreement. An optional upgrade can be added for $4.99 per month and per office and Sales Representative which provides the user with additional features.
Additional Training	Currently, $200 per hour	Upon receipt of invoice	Your Designated Manager (defined in Item 15) may request additional training. We and you will jointly determine the duration of any additional training. This fee would be invoiced after you have begun operating your Business.
Late Payments	Interest at the lesser of 10% per year or highest rate allowed by law on all payments that are 10 days overdue	Immediately when assessed	

Type of Fee(4),(5)	Amount	Due Date	Remarks
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.
Coaching/Consulting Fee	Currently, $200 per hour plus the coach or consultant's travel and living expenses	Upon receipt of invoice	Payable if you use the services of a coach or consultant designated by us to provide special guidance, coaching, assistance, or training.
Registration Fee Annual Awards Convention	Varies. Currently, registration fee estimated at $300 to $500	Upon receipt of invoice	Attendance at our annual convention is mandatory, and 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.
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

Type of Fee[(4),(5)]	Amount	Due Date	Remarks
Realty World® Website Fee	Currently, annual fee is $300 per year per office	Due on the 1st of every year	Payment of the annual website fee entitles you to your own page on the Realty World® Website that currently includes a list of all Sales Representatives at your franchised business location, a hyperlink to the website for your Business, links to any personal websites your Sales Representatives have or may develop at their cost, if any, and access to the Realty World® Intranet.[(10)]
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.
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/ We offer the following 2 fee structures for Realty World® Business Royalty Fees and National Advertising and Promotional Fund Contributions: (i) the Percentage Fee Option and (ii) the Flat Fee Option. When you sign the Franchise Agreement, you must elect either the Percentage Fee Option or Flat Fee Option by signing either Exhibit C-1 (Percentage Fee Option) or Exhibit C-2 (Flat Fee Option) attached to the Franchise Agreement.

2/ The fees included in this table are only applicable to Realty World® Businesses that have elected the Percentage Fee Option.

3/ The fees included in this table are only applicable to Realty World® Businesses that have elected the Flat Fee Option. However, if you select the Flat Fee Option and sign Exhibit C-2 attached to the Franchise Agreement, we grant you the option, once per calendar year, to place up to 25% of the Sales Representatives for your Business on the Percentage Basis Plan (the "Limited Alternative Contribution"). Under the Limited Alternative Contribution, you will notify us each year of the Sales Representatives who you are electing to place on the Percentage Basis Plan for the upcoming calendar year. Upon receipt of proper notice from you that you wish to participate in the Limited Alternative Contribution for a given year, and subject to your compliance with the terms of the Limited Alternative Contribution program, the revenue generated by the Sales Representatives you have selected will be subject to Percentage Fee Option (set forth on Exhibit C-1) rather than the Flat Fee Option (set forth on Exhibit C-2) when calculating your Royalty Fees and National Advertising and Promotional Fund Contributions.

4/ Unless indicated otherwise, all fees are collected by and payable to us and are non-refundable. The fees above may not be uniformly imposed. 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 set forth in dollars and/or cents will automatically increase by 3% annually after the franchisee's 10th anniversary. We also may 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.

5/ 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.

6/ 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.

7/ “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 Revenue 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.

8/ The Royalty Fee varies depending on the number of Sales Representatives registered with your Business. Although the number of Sales Representatives of your Business may exceed 100, in calculating the Royalty Fee, we cap the total number of Sales Representatives at 100, making the maximum total Royalty Fee equal to $7,400 per month.

9/ The National Advertising and Promotional Fund Contribution varies depending on the number of Sales Representatives registered with your Business. Although the number of Sales Representatives of your Business may exceed 100, in calculating the National Advertising and Promotional Fund Contribution, we cap the total number of Sales Representatives at 100, making the maximum total National Advertising and Promotional Fund Contribution equal to $2,550 per month.

10/ 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 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.

11/ As part of our Share the Wealth Program, our franchisees may receive up to 10% of the Royalty Fees and Support Fees from prospects that the franchisee has referred to us who ultimately purchase a franchise. In addition, if the franchisee agrees to provide support services for multiple franchisees in a region or state where that franchisee has referred franchisees to us, and meets the other qualifications for participation in the program, we will pay the franchisee an additional "Income Sharing Bonus Plan" fee of 15% of the Royalty Fees and Support Fees collected from the those franchisees once we receive payment from the franchisees in that region or state and the payment has cleared. As part of our Lifetime Income Program, we require our franchisees to offer their current Sales Representatives, where permitted by law, a share in the revenues generated by sales made by new Sales Representatives recruited and mentored by current Sales Representatives. The percentage or amount paid to the recruiting Sales Representatives is determined by the individual franchisee.

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[(6)]	$18,000	Lump Sum	Upon signing of Franchise Agreement	Us
Building Signs[(3)]	$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[(9)]	$500 to $2,000	As Arranged	As Arranged	Insurer(s)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Additional Funds (8 months)(11)	$13,000 to $60,000	As Arranged	As Arranged	Vendor(s)
TOTALS(12)	$34,200 to $110,000			

YOUR ESTIMATED INITIAL INVESTMENT
START-UP OFFICE(4)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee(6)	$18,000	Lump Sum	Upon signing of Franchise Agreement	Us
Real Estate and Improvements(7)	$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(8)	$12,000 to $40,000	As Arranged	As Arranged	Vendor(s)
Start-up Supplies(8)	$1,000 to $10,000	Lump Sum	Prior to Opening	Vendor(s)
Insurance, including General Liability, Errors & Omissions(9)	$500 to $2,000	As Arranged	As Arranged	Insurer(s)
Miscellaneous Opening Costs(10)	$2,500 to $10,000	As Arranged	As Arranged	Vendor(s)
Additional Funds (8 months)(11)	$13,000 to $60,000	As Arranged	As Arranged	Vendor(s)
TOTALS(12)	$60,000 to $195,000			

YOUR ESTIMATED INITIAL INVESTMENT
START-UP OFFICE with EXCLUSIVE TERRITORY(5)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee(6)	$18,000 to $180,000	Lump Sum	Upon signing of Franchise Agreement	Us
Real Estate and Improvements(7)	$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(8)	$12,000 to $40,000	As Arranged	As Arranged	Vendor(s)
Start-up Supplies(8)	$1,000 to $10,000	Lump Sum	Prior to Opening	Vendor(s)
Insurance, including General Liability, Errors & Omissions(9)	$500 to $2,000	As Arranged	As Arranged	Insurer(s)
Miscellaneous Opening Costs(10)	$2,500 to $10,000	As Arranged	As Arranged	Vendor(s)
Additional Funds (8 months)(11)	$13,000 to $60,000	As Arranged	As Arranged	Vendor(s)
TOTALS(12)	$62,000 to $357,000			

Explanatory Notes

1/ This table provides an estimate of the initial investment needed to convert a single existing real estate brokerage office to a Realty World® Business. All fees are non-refundable unless otherwise indicated.

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/ 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).

4/ This table provides an estimate of the initial investment needed to establish a start-up Realty World® Business. All fees are non-refundable unless otherwise indicated.

5/ This table provides an estimate of the initial investment needed to establish a start-up Realty World® Business with an exclusive territory (excluding commercial real estate and new home developments). 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. All fees are non-refundable unless otherwise indicated.

6/ You must pay the initial franchise fee concurrently with signing the Franchise Agreement. 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. The amount of the initial franchise fee under the Exclusive Territory Addendum will be 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, and we will agree to the initial franchise fee and fill in the initial franchise fee on the Exclusive Territory Addendum before you sign the Exclusive Territory Addendum.

7/ The estimate provided is based on rent for office sizes ranging from 800 square feet to 3,500 square feet. We require a minimum of 800 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 $20 to $200 per square foot (before any applicable tenant improvement allowances from your landlord) when significant construction and tenant improvements are necessary, depending on the type of structure.

8/ 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.

9/ 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 your Business, as we may reasonably require for our and your protection. You must secure the policies before you begin your 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 your 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 $1 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.

10/ This estimate includes advertising, online lead generation, security deposits, fees your local multiple listing service (MLS) charges for providing Internet Data Exchange (IDX) search, 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.

11/ We have relied on our experience since 2000 in offering franchises and supporting franchisees and our owners' and employees' 30+ years of experience in the real estate brokerage business to determine the range of additional funds you may need to convert an existing real estate brokerage into, or to establish, a Realty World® Business franchise. 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.

12/ Except for financing of the initial franchise fee, neither we nor any of our affiliates offers any financing for any part of your initial investment. (See Item 5 and Item 10)

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

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, stationery, signage and in related advertising and marketing. Accordingly, you must purchase building signs, yard signs, stationery, business cards and other Realty World® trademark-bearing items used in your real estate business that meet the specifications we prescribe. Although we provide a list of preferred suppliers for these items, we do not require you to purchase these supplies from any particular supplier. All items bearing the Marks ("Proprietary Items") must conform to our specifications. We may provide such specifications to franchisees in the Operations Manual, and we may modify these specifications on written notice to you. These specifications generally include standards for size, appearance and uniformity.

We provide specific standards for the furniture, fixtures and equipment and general office design that you use for your office, but you can purchase your furniture, fixtures and equipment from any supplier you choose.

You must use the service provider we designate to link your webpage to our website. You must sign a Computer Software Licensing Agreement with us. Under the Computer Software Licensing Agreement, you receive access to an internet-based software platform incorporating various third-party software programs covering marketing, advertising, and other technology services. The current form of Computer Software Licensing Agreement is attached as Exhibit D to the Franchise Agreement.

Except as described above, we do not require that you purchase or lease products or services from a specific supplier. However, if we establish a required supplier for a particular product or service and you would like to purchase any products or services from an alternative supplier that we have not yet approved, you first must submit sufficient information, specifications and samples for us to determine whether the supplier's item complies with our standards and specifications or the supplier meets our criteria, which criteria we do not provide to franchisees. We will typically provide you with written notification of the approval or disapproval of an alternative supplier you have proposed within 7 days after receipt of your request. We may condition our approval of a supplier 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. We do not currently charge testing and/or inspection fees, but we may do so in the future. We may limit the number of approved suppliers 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 suppliers 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 supplier's approved status if the supplier 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 estimate the cost to 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 your Business.

We do not have any purchasing or distribution cooperatives. 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. We provide no material benefits to you based on your use of approved suppliers.

You must maintain in force at your expense during the term of the Franchise Agreement, commercial general liability insurance and professional liability (real estate errors and omissions) insurance, each in the amount of $1 million per occurrence. 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.

Andrew Cimerman, our President, Chairman of the Board and Chief Executive Officer, is the sole shareholder of Move In and Out, Inc., an online virtual relocation service provider, and majority shareholder of Taxi Property Management Ltd., a provider of property management software. You may elect to purchase services for your Business from these service providers, but you are not required to do so. However, we require you to use commercially reasonable efforts to refer your clients to these service providers. Except for these entities, there are no other required or approved suppliers in which one of our officers owns an interest.

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, 2018, neither we nor our affiliates derived any revenue from suppliers based on the sale of products or services to our franchisees. However, we and our affiliates may do so in the future.

Except as described above, neither we nor any of our affiliates are currently an approved or the only supplier of any products or services. During the fiscal year ended May 31, 2018, neither we nor our affiliates received any revenue from franchisees for required purchases or leases by franchisees.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation		Section in Agreement	Disclosure Document Item
(a)	Site selection and acquisition/lease	Section 2.A of Franchise Agreement	Items 7 and 11
(b)	Pre-opening purchases/leases	Section 2.C of Franchise Agreement	Items 7, 8 and 11
(c)	Site development and other pre-opening requirements	Section 2.B of Franchise Agreement	Items 6, 7 and 11
(d)	Initial and ongoing training	Sections 4.A and 4.B of Franchise Agreement	Item 11
(e)	Opening	Section 2.D of Franchise Agreement	Item 11
(f)	Fees	Section 3 of Franchise Agreement; Section 3 and Schedule A of Computer Software Licensing 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
(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

Obligation		Section in Agreement	Disclosure Document Item
(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; Section 7 of Computer Software Licensing 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 and Exhibit C-2 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.D of Franchise Agreement	Item 17
(x)	Dispute resolution	Section 17 of Franchise Agreement	Item 17

ITEM 10

FINANCING

Except as described below, 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 will not charge interest on the outstanding principal unless you fail to make an installment payment when due, in which case 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. We do not intend, but are not prohibited from, selling or assigning the Initial Franchise Fee Promissory Note to a third party. However, if we did sell or assign the Initial Franchise Fee Promissory Note to a third party, you may lose all your defenses against us as a result of the sale or assignment.

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 (or a third party designated by us) will provide you the following assistance:

1. Approve proposed site for your office. (Section 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 2 to 3 days. (Section 4 of Franchise Agreement)

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 the operation of your Business, we (or a third party designated by us) will provide you the following assistance:

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)

<u>Advertising and Promotion</u>

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.

<u>National Advertising and Promotional Fund</u>

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. You must contribute to the National Advertising and Promotional Fund. The amount you must contribute depends on whether you have elected the Flat Fee Option or the Percentage Fee Option. If you have elected the Flat Fee Option, you will contribute a monthly amount that varies based on the number of Sales Representatives registered with your Business and that is calculated by taking the sum of: (a) $50; plus (b) the product of $25 multiplied by the number of Sales Representatives registered with your Business. However, even if you have more than 100 Sales Representatives registered with your Business, we cap the number of Sales Representatives used in calculating your contribution to the National Advertising and Promotional Fund at 100, so the maximum amount you will be required to contribute to the National Advertising and Promotional Fund is $2,550 per month. If you have elected the Percentage Fee Option, you must contribute 1% of Gross

Revenue of your Business for the first $1,000,000 in Gross Revenue generated in a given calendar year. No further contributions are required after you obtain $1,000,000 in Gross Revenue in a given calendar year. 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 for various forms of media (including, without limitation, television, radio, magazines, newspapers, direct mail, and email); developing, implementing, and maintaining a franchise system 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; using advertising, promotion, and marketing agencies and other advisors to provide assistance; conducting market research; conducting social media campaigns; online lead generation; referral programs; real estate listing enhancement costs and subsidies; listing distribution arrangements; regional and national Franchise System events and related activities; social media development and training; awards; lead management system development, maintenance, and updates; customer loyalty programs; brand extension, development, and marketing; agent recruiting initiatives; and supporting public relations, market research, direct sales tools, websites, 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, 2018, the National Advertising and Promotional Fund monies were spent as follows: 20% on media placement services, 65% on production, and 15% on administrative expenses.

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, in addition to the National Advertising and Promotional Fund Contribution, on local advertising, marketing, and promotions within the area reasonably surrounding the Location an amount you reasonably determine as necessary to promote your Business. We do not specify an amount you are required to spend, but in our experience most franchisees spend up to approximately $2,500 per month on local advertising. We do not collect the amount you must spend on local advertising, but we may require you to provide us a report documenting all of your local advertising expenses. We also require you, as part of your local advertising obligation, to use an online lead generation service of your choosing, 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 15 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"). TechPack includes a module that provides an Approved Website, and if you elect to use this module of TechPack, you will have satisfied the requirement of establishing an Approved Website (but you are not prohibited from creating another website for your business so long as it meets the standards that we establish). 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 Business to have a website and you will provide us with the email addresses for all Sales Representatives.

You must join the local multiple listing service ("MLS") that encompasses the geographic area surrounding the Location and remain a member in good standing of such MLS throughout the term of this Agreement. You must ensure that each of your Sales Representatives, whether they are your employees or independent contractors, also satisfy this requirement.

The franchise agreement does not obligate you to participate in a local or regional advertising cooperative. There currently are no formal franchisee advertising councils that advise us on advertising and marketing policies and programs.

Computers – Hardware and Software

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.

You must sign a Computer Software Licensing Agreement with us. Under the Computer Software Licensing Agreement, you receive access to TechPack, which is an internet-based software platform incorporating various third-party software programs covering marketing, advertising, and other technology services. The current form of Computer Software Licensing Agreement is attached as Exhibit D to the Franchise Agreement. The cost of licensing this software platform is $64.99 per month plus $39.99 per month for each Sales Representative registered with your office who elects to use the software platform. We currently require that at least 50% of the Sales Representatives registered with your office register to use the TechPack software platform. You can elect to add an optional upgrade to the software platform for $4.99 per month per office and per Sales Representative, which provides the user with additional features.

We do not currently have independent access to information stored on your computer system, but we may 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 800 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. We do not typically own the site for your Business. We do not assist in conforming your site to local ordinances and building codes or in the construction, remodeling, or decorating of your site. 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 consent. In considering a request for relocation, we will condition our consent on factors such as the proximity of any other Realty World® Businesses, business count, traffic count, accessibility, parking, visibility and competition.

Opening of Your Business

You typically will open your 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 your Business within this time period, we may terminate the Franchise Agreement and retain the entire franchise fee. We do not provide assistance in hiring employees for your Business.

Training

We will train your Designated Manager on the material aspects of operating a Realty World® Business. We will provide approximately 2 to 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. We may choose to offer this training and assistance online, which may save you time and travel and living expenses.

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, intranet, 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

Subject[1, 2, 3]	Hours of Classroom Training	Hours of On-the-Job Training	Location
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
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 4 years of experience with us and 30 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 your Business only at a specific location which we approve. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We 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. These businesses may compete with your 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 to engage in real estate brokerage services (excluding commercial real estate and new home developments). 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 your Business's 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 may 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. Because we reserve certain of the rights specified above, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

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 your 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.

[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®."

In addition to the registered trademarks noted above, on March 1, 2018, we filed an application with the USPTO (Serial No. 87816879) for listing on the Principal Register, on an actual-use basis, for the following design:

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, material litigation, or currently effective agreements involving the Marks which are relevant to their use by our franchisees. We do not know of any superior prior rights in the Marks. We do not know of any infringing uses of the Marks that could materially affect your use of the Marks.

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 the action we think appropriate, which may include taking no action, and we will control any litigation or administrative proceeding.

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. In 2014, Realty World – Northern California, Inc. assigned the license agreement to NextHome, Inc. As part of the settlement described in Item 3, and subject to certain conditions being met, effective February 1, 2020, NextHome will assign to us its rights and obligations under the license agreement, and NextHome will no longer be authorized to offer Realty World® franchises.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents or pending patent applications 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. No agreements limit our right to use or license the use of our copyrighted materials. We are not obligated under any agreement to protect or defend our copyrights, although we intend to do so. We do not know of any infringing uses of or superior rights in our copyrighted materials.

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 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 your Business or attend training. We expect that you will designate a manager (the "Designated Manager") to be the point of contact between us and your 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. Your Designated Manager must complete initial training to our satisfaction. You are obligated to make sure that your Designated Manager and anyone else with access to our confidential information not disclose that confidential information.

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, 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 your Business. Each owner's spouse must consent to the owner's execution of guaranty, acknowledging that the marital assets are at risk under the guaranty.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may not use your Business or the premises of your 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 your Business. We may change the types of products and services required to be offered at your 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).
(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 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.

Provision		Section in Franchise or Other Agreements	Summary
(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
(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

Provision		Section in Franchise or Other Agreements	Summary
(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 (or attempted transfer) of Franchise Agreement, sales of your Business's 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
(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). Our current form of general release is attached as Exhibit I.
(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

Provision	Section in Franchise or Other Agreements	Summary
(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
(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	If we terminate the franchise agreement for cause or you terminate without cause, you and your owners may not have direct or indirect ownership interest in any competitive real estate business within a 25-mile radius of your Business for 2 years after termination of the Franchise Agreement
(s) Modification of the Agreement	Section 17.L Sections 1(b) and 11(g) of Computer Software Licensing Agreement	No modifications except in writing, but we may change the Operations Manual and System Standards We may change the third-party software providers in our discretion. Otherwise, no modifications unless in writing signed by both parties.

Provision	Section in Franchise or Other Agreements	Summary
(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.
	Section 11(g) of Computer Software Licensing Agreement	Agreement constitutes the entire understanding of the parties, and revokes and supersedes all prior agreements between the parties.
(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. Mediation must occur within 50 miles of our then-current principal place of business (currently, Newport Beach, California).
(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)
	Section 11(b) of Computer Software Licensing Agreement	Subject to state law, state or federal courts located in Orange County, 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)
	Section 11(b) of Computer Software Licensing Agreement	Subject to state law, California state law governs.

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

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 possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting 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 2016 TO 2018[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	2016	74	71	-3
	2017	71	75	+4
	2018	75	93	+18
Company-Owned	2016	0	0	0
	2017	0	0	0
	2018	0	0	0
Total Outlets	2016	74	71	-3
	2017	71	75	+4
	2018	75	93	+18

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 2016 TO 2018[1]

State	Year	Number of Transfers
All States	2016	0
	2017	0
	2018	0
Total	2016	**0**
	2017	**0**
	2018	**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 2016 TO 2018[1]

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]
Arizona	2016	1	0	0	0	0	0	1
	2017	1	0	-1	0	0	0	0
	2018	0	0	0	0	0	0	0
California	2016	26	2	-3	0	0	0	25
	2017	25	4	-3	0	0	0	26
	2018	26	1	-1	0	0	0	26
Connecticut	2016	3	0	0	0	0	0	3
	2017	3	0	-1	0	0	0	2
	2018	2	0	-1	0	0	0	1
Florida	2016	18	2	-1	0	0	0	19
	2017	19	3	0	0	0	0	22
	2018	22	1	0	0	0	0	23
Georgia	2016	1	0	0	0	0	0	1
	2017	1	0	-1	0	0	0	0
	2018	0	0	0	0	0	0	0
Idaho	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Illinois	2016	3	0	0	0	0	0	3
	2017	3	0	-2	0	0	0	1
	2017	1	0	0	0	0	0	1
Indiana	2016	3	0	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
Kentucky	2016	3	0	-1	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	1	0	0	0	0	3
Maryland	2016	2	1	0	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
Massachusetts	2016	4	0	-1	0	0	0	3
	2017	3	0	0	0	0	0	3
	2018	3	0	-2	0	0	0	1
Minnesota	2016	1	0	-1	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	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]
Missouri	2016	1	0	-1	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
Nevada	2016	2	0	-1	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	-1	0	0	0	0
New Jersey	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
North Carolina	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	21[(3)]	0	0	0	-3	18
Ohio	2016	0	1	0	0	0	0	1
	2017	1	3	0	0	0	0	4
	2018	4	0	0	0	0	0	4
South Carolina	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	1[(3)]	0	0	0	0	1
Texas	2016	2	0	0	0	0	0	2
	2017	2	1	0	0	0	0	3
	2018	3	1	0	0	0	0	4
Washington	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
Wisconsin	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Totals	**2016**	**74**	**6**	**-9**	**0**	**0**	**0**	**71**
	2017	**71**	**12**	**-8**	**0**	**0**	**0**	**75**
	2018	**75**	**26**	**-5**	**0**	**0**	**-3**	**93**

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

2/ We also have a subfranchisor with a territory in the State of Pennsylvania. There are currently 16 subfranchises in the State of Pennsylvania. We also have a licensee with territories in Northern Nevada and Northern California. (See Item 3 for a description of certain litigation with this licensee.) At August 9, 2018, the licensee reported to us that there were 136 real estate brokerage business franchises operating under the name "Realty World®," with 1 in Northern Nevada and 135 in Northern California.

3/ In July 2017, our former subfranchisor for the South Carolina and North Carolina territories assigned 22 franchise agreements to us. These 22 franchises are operated by independent franchisees.

TABLE NO. 4

STATUS OF COMPANY-OWNED REALTY WORLD® BUSINESSES FOR YEARS 2016 TO 2018[(1)]

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	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0

TABLE NO. 5

REALTY WORLD® BUSINESSES PROJECTED FRANCHISE OPENINGS[1] AS OF MAY 31, 2018

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
California	0	4	0
Florida	0	3	0
Texas	0	3	0
Totals	**0**	**10**	**0**

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

Exhibit E is a list of our franchisees as of May 31, 2018. 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 the fiscal year ended May 31, 2018, 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, 2018, May 31, 2017, and May 31, 2016, are attached as Exhibit D.

ITEM 22

CONTRACTS

The following contracts are exhibits to this disclosure document:

Exhibit B	Franchise Agreement (including Computer Software Licensing Agreement)
Exhibit B-1	Exclusive Territory Addendum
Exhibit H	Disclosure Acknowledgment Statement
Exhibit I	Sample General Release
Exhibit J	State Riders to the Franchise Agreement

ITEM 23

RECEIPT

Exhibit K contains detachable documents acknowledging your receipt of the disclosure document.

EXHIBIT A

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

EXHIBIT A

STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

CALIFORNIA

Department of Business Oversight:
Toll Free: 1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013
(213) 576-7505

Sacramento

1515 K Street, Suite 200
Sacramento, California 95814-4052
(916) 445-7205

San Diego

1350 Front Street
San Diego, California 92101
(619) 525-4044

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94104
(415) 972-8559

HAWAII

(agent for service of process)

Commissioner of Securities of the
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

(for other matters)

Business Registration Division
Securities Compliance Branch
Department of Commerce
and Consumer Affairs
P.O. Box 40
Honolulu, Hawaii 96810
(808) 586-2722

ILLINOIS

Franchise Bureau
Office of the Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

(state administrator)

Indiana Secretary of State
Securities Division, E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

(agent for service of process)

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

MARYLAND

(state administrator)

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(agent for service of process)

Maryland Securities Commissioner
at the Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

(state administrator)

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

(agent for service of process)

Michigan Department of Commerce,
Corporations and Securities Bureau
P.O. Box 30054
6546 Mercantile Way
Lansing, Michigan 48909

MINNESOTA

Minnesota Department of Commerce
85 7th Place East, Suite 280
Saint Paul, Minnesota 55101-2198
(651) 539-1600

(agent for service of process)

Commissioner of Commerce
85 7th Place East, Suite 280
Saint Paul, Minnesota 55101-2198
(651) 539-1600

NEW YORK

(state administrator)

New York State Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236 Phone
(212) 416-6042 Fax
(agent for service of process)

Attn: New York Secretary of State
New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol - Fifth Floor
Bismarck, North Dakota 58505
(701) 328-4712

OREGON

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

RHODE ISLAND

Department of Business Regulation
Division of Securities
John O. Pastore Complex
Building 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9645

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 South Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

VIRGINIA

(state administrator)

State Corporation Commission
Division of Securities
and Retail Franchising
1300 East Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

(agent for service of process)

Clerk, State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9733

WASHINGTON

(state administrator)

Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8760

(agent for service of process)

Director
Department of Financial Institutions
Securities Division
150 Israel Road, S.W.
Tumwater, Washington 98501

WISCONSIN

Securities and Franchise
Registration
Wisconsin Securities Commission
345 West Washington Avenue, 4th Floor
Madison, Wisconsin 53703
(608) 266-3431

EXHIBIT B

FRANCHISE AGREEMENT

REALTY WORLD, INC.

FRANCHISE AGREEMENT

____
FRANCHISEE

____
DATE OF AGREEMENT

____
ADDRESS

____

____

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REALTY WORLD, INC.
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into by and between **REALTY WORLD, INC.**, a Nevada corporation with its principal business address at 1101 Dove Street, Suite #228, Newport Beach, California 92660 ("we," "us," or "our"), and ________________ ____________________________, whose principal business address is ______________________________ ____ ("you" or "your"), as of the Effective Date (defined in Section 17.N).

1. **PREAMBLES, ACKNOWLEDGMENTS, AND GRANT OF FRANCHISE.**

A. **PREAMBLES**.

(1) We have, over a considerable time period and with considerable effort, developed a network of real estate brokerage businesses known as Realty World® businesses (individually, "Realty World® Business" and collectively, "Realty World® Businesses"). These Realty World® Businesses have distinctive business formats, marketing plans, methods, systems, procedures, designs, layouts, standards, and specifications, all of which we may improve, further develop, or otherwise modify from time to time.

(2) We use, promote, and license certain trademarks, service marks, and other commercial symbols in operating the Realty World® Businesses, including, without limitation, the Realty World® marks, which have gained and will continue to gain public acceptance and goodwill, and may create, use, and license other trademarks, service marks, and commercial symbols for Realty World® Businesses (collectively, the "Marks").

(3) We grant to persons who meet our qualifications, and are willing to undertake the investment and effort, a franchise to own and operate a Realty World® Business offering the products and services we authorize and using our business formats, methods, rules, procedures, signs, designs, layouts, standards, specifications, and Marks (the "Franchise System").

(4) You have applied for a franchise to own and operate a Realty World® Business.

B. **ACKNOWLEDGMENTS.** You acknowledge:

(1) That you have independently investigated this franchise opportunity and recognize that, like any other business, the nature of the business a **Realty World® Business** conducts may, and probably will, evolve and change over time.

(2) That an investment in a **Realty World® Business** involves business risks that could result in the loss of a significant portion or all of your investment, and your business abilities and efforts are vital to your success and the success of your **Realty World® Business**.

(3) That you have not received from us, and are not relying upon, any representations or guarantees, express or implied, as to the potential volume, sales, income, or profits of a **Realty World® Business**, that any information you have acquired from other **Realty World® Business** franchisees regarding their sales, profits, or cash flows was not information obtained from us, and that we make no representation about that information's accuracy.

(4) That in all of their dealings with you, our officers, directors, employees, and agents act only in a representative, and not in an individual, capacity and that business dealings between you and them as a result of this Agreement are deemed to be only between you and us.

(5) That you have represented to us, to induce our entry into this Agreement, that all statements you have made and all materials you have given us are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise.

(6) That we have not made any representation, warranty, or other claim regarding this franchise opportunity, other than those made in this Agreement and our franchise disclosure document, and that you have independently evaluated this opportunity, including by using your business professionals and advisors, and have relied solely upon those evaluations in deciding to enter into this Agreement.

(7) That you have been afforded an opportunity, and have been encouraged by us, to have this Agreement and all other agreements and materials we have given or made available to you reviewed by an attorney and have either done so or elected not to do so.

(8) That you have a net worth which is sufficient to make the investment in the franchise opportunity represented by this Agreement, and you will have sufficient funds to meet all of your obligations under this Agreement.

C. **CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP**. If you are at any time a corporation, limited liability company, or partnership (each, an "Entity"), you agree and represent that:

(1) You will have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

(2) Your organizational documents will recite that this Agreement restricts the issuance and transfer of any ownership interests in you, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Agreement's restrictions;

(3) Exhibit A to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date and each of your owners during this Agreement's term will execute a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this

Agreement and any ancillary agreements between you and us. Subject to our rights and your obligations under Section 12, you and your owners agree to sign and deliver to us revised Exhibit A to reflect any permitted changes in the information that Exhibit A now contains;

(4) Your **Realty World® Business** will be the only business you operate (although your owners may have other, non-competitive business interests).

D. **GRANT OF FRANCHISE**. You have applied for a franchise to own and operate a **Realty World® Business** at ____ ___________________ (the "Location"). (If the Location has not been determined as of the Effective Date, the Location shall be the site selected in accordance with Section 2.A hereof.) Subject to this Agreement's terms, we grant you a franchise (the "Franchise") to operate a **Realty World® Business** ("your Business") and to use the Franchise System in its operation. The term of this Agreement is (check one):

(1) Five (5) years _______;
(2) Seven (7) years _______;
(3) Ten (10) years _______;
(4) Fifteen (15) years _______; or
(5) Twenty (20) years _______,

beginning on the date this Agreement becomes effective pursuant to Section 17.N of this Agreement.

You agree at all times faithfully, honestly, and diligently to perform your obligations under this Agreement and to use your best efforts to promote your Business. You may use the Location only for your Business.

E. **NO EXCLUSIVITY AND RESERVATION OF RIGHTS**. We grant you the right to operate your Business at the Location only. You acknowledge and agree that your Sales Representatives must also only operate at the Location. You have no right to open any additional offices or locations under this Agreement. You acknowledge and agree that this Agreement does not grant you any exclusive or protected territory. You further acknowledge and agree that we (and our affiliates) retain the right at all times during this Agreement's term to engage in any and all activities that we (and they) deem appropriate, wherever and whenever we (and they) desire, and whether or not such activities compete with your Business, including, without limitation, 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 and the Franchise System, at any location and on such terms and conditions 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 the **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 and 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 this Agreement.

2. SITE SELECTION, LEASE OF LOCATION, AND DEVELOPMENT AND OPENING OF YOUR BUSINESS.

A. **SITE SELECTION.** We must approve the Location and you may operate your Business only at the Location. The Location must be at least 800 square feet. You acknowledge and agree that, if we recommend, give you information regarding a site for, or approve the Location that is not a representation or warranty of any kind, express or implied, of the site's suitability for a **Realty World® Business** or any other purpose. Our recommendation or approval indicates only that we believe that the site meets our then acceptable criteria. Applying criteria that have appeared effective with other sites might not accurately reflect the potential for all sites, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if a site we recommend fails to meet your expectations. You acknowledge and agree that your acceptance of the Franchise and selection of the Location are based on your own independent investigation of the suitability of the site for your Business. The lease or sublease for the Location (the "Lease") must contain any terms and provisions which we may require from time to time (although we will not negotiate your Lease). You may not relocate your Business without our prior written consent.

B. **BUSINESS DEVELOPMENT.** Within ninety (90) days after the date you sign a Lease for the Location, you agree at your expense to do the following: (a) construct the front lobby and reception area in accordance to plans and specifications approved by us; (b) decorate your Business in compliance with plans and specifications approved by us; and (c) purchase and install any required Computer System (as defined in Section 2.C below). You agree to place or display at the Location (interior and exterior) only the signs, emblems, lettering, logos, and display materials that we approve from time to time. Upon our request, you agree to purchase or lease approved brands, types, or models of fixtures and signs containing any of the Marks only from suppliers we designate or approve (which may include or be limited to us and/or our affiliates).

C. **COMPUTER SYSTEM**. Notwithstanding anything to the contrary contained herein, upon our request, you agree to obtain and use specified integrated computer hardware and/or software, including an integrated computer-based order-entry system (the "Computer System"). We may modify specifications for, and components of, the Computer System. You also agree to maintain a functioning e-mail address and all specified points of high-speed Internet connection. Our modification of specifications for the Computer System, and/or other technological developments or events, might require you to purchase, lease, and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over this Agreement's remaining term, you agree to incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions and modifications) and required service or support. We have no obligation to reimburse you for any Computer System costs. Within ninety (90) days after you receive notice from us, you agree to obtain the Computer System components that we designate and to ensure that your Computer System, as modified, is functioning properly.

You agree that we or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities with respect to, the software or technology. We and our affiliates may charge you a monthly or other fee for any proprietary software or technology that we or our affiliates license to you and for other maintenance and support services that we or our affiliates provide during this Agreement's term. You must execute the Computer Software Licensing Agreement in the form attached hereto as Exhibit D.

Although you agree to buy, use, and maintain the Computer System according to our standards and specifications, you will have sole and complete responsibility for: (1) the acquisition, operation, maintenance, and upgrading of the Computer System; (2) the manner in which your Computer System interfaces at our specified levels of connection speed with our and any third party's computer system; and (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded.

D. **BUSINESS OPENING**. You agree not to open your Business until: (1) you pay the initial franchise fee and other amounts then due to us; (2) we have approved your Location; (3) you give us certificates for all required insurance policies; (4) you give us copies of real estate licenses for your Broker of Record (defined in Section 8.C); and (5) we have approved any d/b/a you propose to use for your Business.

Subject to your compliance with these conditions, you agree to open your Business for business within one hundred eighty (180) days after the Effective Date.

3. **FEES.**

A. **INITIAL FEES**. You agree to pay us a nonrecurring and nonrefundable initial franchise fee of $18,000 in the form we specify, which may include by bank check, cashier's check, wire transfer, or electronic funds transfer. The initial franchise fee is due, and fully earned by us, when you sign this Agreement.

B. **SUPPORT FEES**. You agree to pay us by the twenty-fifth (25th) day of each month, on an ongoing basis, a monthly Support Fee (the "Support Fee") of $225.

C. **ROYALTY FEES**. You agree to pay us a monthly royalty (the "Royalty Fee"), in the manner provided in Section 3.I below, on or before the twenty-fifth (25th) day of each month in the amount set forth on Exhibit C-1 (Percentage Fee Basis Plan) or Exhibit C-2 (Flat Fee Basis Plan) attached hereto.

D. **NATIONAL ADVERTISING AND PROMOTIONAL FUND CONTRIBUTIONS**. You agree to pay us a monthly National Advertising and Promotional Fund contribution (the "National Advertising and Promotional Fund Contribution"), in the manner provided in Section 3.I below, on or before the twenty-fifth (25th) day of each month set forth on Exhibit C-1 (Percentage Fee Basis Plan) or Exhibit C-2 (Flat Fee Basis Plan) attached hereto.

E. **GROSS REVENUE.** "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 Revenue 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.

F. **SALES REPRESENTATIVE**. "Sales Representative" shall mean each person who possesses a real estate license that is affiliated, directly or indirectly, with your Business, including, but not limited to, sales associates, broker associates, brokers, licensed assistants and each broker of record and/or manager. You agree that you and each of your Sales Representatives will join and remain a member in good standing and comply with the by-laws, rules and regulations of a local board of realtors (or comparable organization). You also agree to participate in a board-owned multiple listing service, where available. You and your Sales Representatives must also abide by the Code of Ethics of the National Association of Realtors. Upon our request, you must provide us with a current and active email address for each of your Sales Representatives. If you fail to provide written notice of a new Sales Representative within five (5) business days after a new Sales Representative becomes affiliated with you, you must pay us an amount equal to Two Hundred Fifty Dollars ($250) for each Sales Representative for whom you have not provided written notice. You agree to have the minimum number of Sales Representatives by the dates and during the periods set forth on Exhibit B attached hereto ("Sales Representative Quota"). In the event you fail to meet the Sales Representative Quota, and you have selected Exhibit C-2 (Flat Fee Basis Plan) as the basis for payment of your Royalty Fee and National Advertising and Promotional Fund Contribution, without limiting any other remedies available to us, you will pay Royalty Fees and National Advertising and Promotional Fund Contributions as if you had met your Sales Representative Quota and you will use the fee schedule described in Exhibit C-2 for the purposes of calculating these fees. Within five (5) days after a new Sales Representative becomes affiliated with your Business, you must provide us with written notice of such affiliation. We reserve the right to require you to participate in a revenue-sharing program for Sales Representatives, which may require you to share in the revenues generated by sales made by new Sales Representatives recruited and mentored by current Sales Representatives affiliated with your Business.

G. **LATE PAYMENTS**. You will pay us simple interest at the rate of the lesser of 10% per annum or the highest rate permitted under applicable law on any amount you owe us that is overdue by ten (10) or more days. You acknowledge that this Section 3.G is not our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, your Business.

H. **INCREASE IN FEES.** If the term of this Agreement exceeds ten (10) years, commencing on the ten (10) year anniversary of the Effective Date, all amounts set forth in this Agreement or any exhibit or attachment to this Agreement in dollars and/or cents, including, without limitation, the Support Fee, the Royalty Fee (under Exhibit C-2), and National Advertising and Promotional Fund Contributions (under Exhibit C-2), will automatically increase on an annual basis by three percent (3%) per annum.

I. **METHOD OF PAYMENT AND APPLICATION OF PAYMENTS**. 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 all amounts due under this Agreement (the "EFT Authorization"). Such EFT Authorization shall remain in full force and effect during the term of this Agreement. We will debit the business account or credit card 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.

Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us. We may set off any amounts you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You agree that your failure to establish or to require your Sales Representatives to pay any of the fees payable under this Agreement or your failure to collect any of these fees from your Sales Representatives does not relieve you of your obligation to remit all monthly fees payable to us under this Agreement.

We may require you to pay any amounts due under this Agreement by means other than check, credit card or automatic debit whenever we deem appropriate, and you agree to comply with our payment instructions.

4. TRAINING AND ASSISTANCE.

A. **TRAINING**. We will train your Designated Manager (defined in Section 8.C) and one additional employee on the material aspects of operating a **Realty World® Business**. We will schedule and provide approximately 2 to 3 days of training when requested by you (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 through a Website or intranet. Within ten (10) months after the Effective Date, your Designated Manager must satisfactorily complete the initial training. If we determine that your Designated Manager cannot complete initial training to our satisfaction, we may terminate this Agreement. We provide initial training for no additional fee for two (2) persons. You will be responsible for your employees' travel and living expenses, wages and workers' compensation insurance while attending training; provided, however, we reserve the right to offer such training and assistance online, which may save you time and travel and living expenses.

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 two (2) such courses, or for more than a total of three (3) business days, during a calendar year. Besides attending these courses, you agree to attend an annual meeting of all **Realty World® Business** franchise owners at a location we designate. Attendance will not be required for more than five (5) days during any calendar year. You agree to pay all costs to attend.

If you appoint a new Designated Manager during this Agreement's term, 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 agree to pay all travel and living expenses which your Designated Manager incurs during all training courses and programs.

You understand and agree that any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue and modify from time to time. You acknowledge and agree we may communicate our programs, systems, education, and training directly to your Sales Representatives. You acknowledge and agree that any training we agree to provide pursuant to this Agreement may be provided, at our option, through the Website, intranet, or any other format we choose.

B. **GENERAL GUIDANCE**. We may advise you from time to time regarding the operation or your Business based on your reports or our inspections and may guide you with respect to: (1) standards, specifications, and operating procedures and methods that Businesses use; (2) purchasing required and authorized products and services; (3) advertising and marketing materials and programs; (4) employee hiring and training; and (5) administrative and management. Such guidance will be furnished in the form of our operations manual for the operation of Businesses (the "Operations Manual"), which may include one or more separate manuals as well as audiotapes, DVDs, compact discs, computer software, information available on an Internet site, other electronic media, and/or written materials. At our option, we may also provide guidance via telephone conversations and/or consultation at our offices.

At your option, you may utilize the services of a coach or consultant we designate from time to time to provide special guidance, coaching, assistance, or training. We will charge you our then applicable fee, including our coach or consultant's per diem charges and travel and living expenses.

C. **OPERATIONS MANUAL**. We will give you access to the Operations Manual during the term of this Agreement. The Operations Manual contains mandatory and suggested specifications, standards, operating procedures, and rules that we periodically prescribe for operating Businesses ("System Standards") and information on your other obligations under this Agreement. We may modify the Operations Manual periodically to reflect changes in System Standards. You agree to keep your copy of the Operations Manual current, including downloading any updates to the Operations Manual which we make available on a restricted Website or intranet or through other electronic media, and in a secure location at your Business. If there is a dispute over its contents, our master copy of the Operations Manual controls. You agree that the Operations Manual's contents are confidential and that you will not disclose the Operations Manual to any person other than your employees who need to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual.

At our option, we may post some or all of the Operations Manual on a restricted Website or intranet to which you will have access. (For purposes of this Agreement, "Website" means an interactive electronic document contained in a network of computers linked by communications software, including, without limitation, the Internet and World Wide Web home pages). If we do so, you agree to monitor and access the Website or intranet for any updates to the Operations Manual or System Standards. Any passwords or other digital identifications necessary to access the Operations Manual on a Website or intranet will be deemed to be part of Confidential Information (as defined in Section 6).

D. **DELEGATION OF PERFORMANCE**. You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations.

5. **MARKS.**

A. **OWNERSHIP AND GOODWILL OF MARKS**. Your right to use the Marks is derived only from this Agreement and limited to your operating your Business according to this Agreement and all System Standards we prescribe during its term. Your unauthorized use of the Marks is a breach of this Agreement and infringes our rights in the Marks. You acknowledge and agree that your use of the Marks and any goodwill established by that use are exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate your Business under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional proprietary trade and service marks we authorize you to use. You may not at any time during or after this Agreement's term contest or assist any other person in contesting the validity of, or our rights to, the Marks.

B. **LIMITATIONS ON YOUR USE OF MARKS**. You agree to use the Marks as your Business's sole identification, except that you agree to identify yourself as its independent owner in the manner we prescribe. You may not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you), (3) in selling any unauthorized services or products, (4) as part of any Website (unless in connection with our approved Franchise System Website), domain name, email address, social media account, username, other online presence or presence on any electronic medium of any kids (an "Online Presence"); or (5) in any other manner that we have not expressly authorized in writing. However, you may file a d/b/a using the Marks in your d/b/a name. You may not use any Mark in advertising the transfer, sale, or other disposition of your Business or an ownership interest in you without our prior written consent. You agree to display the Marks prominently as we prescribe at your Business and on forms, advertising, supplies, and other materials we designate. You agree to give the notices of trade and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.

C. **NOTIFICATION OF INFRINGEMENTS AND CLAIMS**. You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than us and our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We may take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of our attorneys, is necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks. We will reimburse you for your costs of taking any action that we have asked you to take.

D. **DISCONTINUANCE OF USE OF MARKS**. If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute trade or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your direct expenses of changing your Business's 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.

Our rights in this Section 5.D apply to any and all of the Marks (and any portion of any Mark) that we authorize you to use in this Agreement. We may exercise these rights at any time and for any reason, business or otherwise, that we think best. You acknowledge both our right to take this action and your obligation to comply with our directions.

6. **CONFIDENTIAL INFORMATION.**

We and our affiliates possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the "Confidential Information"), relating to developing and operating Businesses, including (without limitation): (1) site selection criteria; (2) the Operations Manual; (3) the System Standards; (4) proprietary formulas, marketing plans, market research, promotional, marketing and advertising programs for Businesses; (5) knowledge of specifications for, and suppliers of, products and supplies; (6) any computer software or similar technology which is proprietary to us or our affiliates; (7) knowledge of the operating results and financial performance of Businesses other than your Business; and (8) your Business's customer list.

You acknowledge and agree that you will not acquire any interest in Confidential Information, other than the right to use it as we specify in operating your Business during this Agreement's term, and that Confidential Information is proprietary, includes our and our affiliates' trade secrets, and is disclosed to you only on the condition that you agree, and you in fact do agree, that you: (a) will not use Confidential Information in any other business or capacity; (b) will keep each item deemed to be part of Confidential Information absolutely confidential, both during this Agreement's term and then thereafter for as long as the item is not generally known to the public; (c) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and (d) will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restricting its disclosure to your personnel, Sales Representatives and others and using non-disclosure and non-competition agreements with those having access to Confidential Information. We have the right to regulate the form of agreements that you use and to be a third party beneficiary of those agreements with independent enforcement rights.

Confidential Information does not include information, knowledge, or know-how which you can demonstrate lawfully came to your attention before we provided it to you directly or indirectly; which, at the time we disclosed it to you, already had lawfully become generally known through publication or communication by others (without violating an obligation to us or our affiliates); or which, after we disclose it to you, lawfully becomes generally known through publication or communication by others (without violating an obligation to us or our affiliates). However, if we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.

All ideas, concepts, techniques, or materials relating to a **Realty World® Business**, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our and our affiliates' sole and exclusive property, part of the Franchise System, and works made-for-hire for us and our affiliates. To the extent that any item does not qualify as a "work made-for-hire" for us and our affiliates, by this paragraph you assign ownership of that item, and all related rights to that item, to us and our affiliates and agree to take whatever action (including signing assignment or other documents) we request to evidence our and our affiliates' ownership or to help us and our affiliates obtain intellectual property rights in the item.

7. **EXCLUSIVE RELATIONSHIP.**

You acknowledge that we have granted you the Franchise in consideration of and reliance upon your agreement to deal exclusively with us. You therefore agree that, during this Agreement's term, neither you, any of your owners, nor any of your or your owners' immediate family members will:

(a) have any direct or indirect interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating (except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

(b) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

(c) recruit or hire any person then employed, or who was employed within the immediately preceding twenty-four (24) months, as a real estate broker at a **Realty World® Business** operated by us, any of our affiliates, or a franchise owner without obtaining the employer's prior written permission;

(d) divert or attempt to divert any actual or potential business or customer of your Business to a Competitive Business; or

(e) engage in any other activity which might injure the goodwill of the Marks and/or the **Realty World® Businesses**.

The term "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 **Realty World® Business** operated under a franchise agreement with us).

8. **BUSINESS OPERATIONS AND SYSTEM STANDARDS.**

A. **<u>CONDITION AND APPEARANCE OF YOUR BUSINESS</u>**. You agree that you will not use any part of the Location for any purpose other than operating a **Realty World® Business** in compliance with this Agreement, and that you will place or display at the Location (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos and display and advertising materials that we approve from time to time. You further agree to maintain, at your own expense, the condition and appearance of your Business and the Location in accordance with the System Standards and consistent with the image of a **Realty World® Business** as an efficiently operated business offering high quality products and services and observing the highest standards of cleanliness and efficient, courteous service.

B. **<u>PRODUCTS AND SERVICES YOUR BUSINESS OFFERS</u>**. You agree that you (1) will offer and sell from your Business the products and services that we periodically specify; (2) will not offer or sell at your Business, the Location or any other location any products or services we have not authorized; and (3) will discontinue selling and offering for sale any products or services that we at any time disapprove.

C. **MANAGEMENT OF YOUR BUSINESS**. Your Business shall be managed by a designated manager who has completed our initial training program to our satisfaction (the "Designated Manager"). You (or one of your owners if you are an Entity) or your Designated Manager must at all times hold a valid state real estate broker license under whose license your Business will be conducted (the "Broker of Record"). You will identify the Broker of Record on Exhibit C-1 or Exhibit C-2 attached hereto. Your Designated Manager, who may but does not need to be one of your owners, must work full-time at your Business, to supervise the day-to-day operations of your Business and continuously exert his/her best efforts to promote and enhance your Business.

D. **APPROVED PRODUCTS, SERVICES, AND SUPPLIERS**. We reserve the right to periodically designate and approve standards, specifications, suppliers and/or distributors of products and services that we periodically authorize for use at your Business. During this Agreement's term you must purchase or lease all fixtures, products and services containing any Mark for your Business only according to our standards and specifications and, if we require, only from suppliers or distributors that we designate or approve (which may include or be limited to us and/or our affiliates). You acknowledge and agree that we do not provide any warranty to any products that we require you to purchase or lease. You further acknowledge and agree that we and/or our affiliates may derive revenue based on your purchases and leases (including, without limitation, from charging you for products and services we or our affiliates provide to you and from payments made to us or our affiliates by suppliers that we designate or approve for some or all of our franchisees).

If you want to use any products containing any of the Marks that we have not yet evaluated or want to purchase any item from a supplier or distributor that we have not yet approved (for items that we require you to purchase from designated or approved suppliers or distributors), 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 (including prompt attention to complaints) or other criteria. We reserve the right periodically to re-inspect the facilities and products of any approved supplier or distributor and to revoke our approval if the supplier or distributor does not continue to meet our criteria.

E. **COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES**. You must secure and maintain in force throughout this Agreement's term all required licenses, permits and certificates relating to your Business's operation and operate your Business in full compliance with all applicable laws, ordinances and regulations. You agree to comply and assist us in our compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to anti-terrorist activities, including, without limitation, the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, you agree not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to your Business as may be required by us or by law. You confirm that you are not listed in the Annex to Executive Order 13224 and agree not to hire any person so listed or have any dealing with a person so listed (the Annex is currently available at http://www.treasury.gov). You are solely responsible for ascertaining what actions must be taken by you to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that your indemnification responsibilities as provided in Section 16.D pertain to your obligations hereunder.

Your Business must in all dealings with its clients, suppliers, us and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which might injure our business or the goodwill associated with the

Marks or other **Realty World® Businesses**. You must notify us in writing within three (3) business days of: (1) the commencement of any action, suit or proceeding relating to your Business; (2) the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality relating to your Business; (3) any notice of violation of any law, ordinance or regulation relating to your Business; and (4) receipt of any notice of complaint from the Better Business Bureau, any local, state or federal consumer affairs department or division, or any other government or independent third party involving a complaint from a customer or potential customer relating to your Business. You must immediately provide to us copies of any documentation you receive of events in (1) through (4) above and resolve the matter in a prompt and reasonable manner in accordance with good business practices.

F. **INSURANCE**. During the term of this Agreement you must maintain in force at your sole expense comprehensive public, general and motor vehicle liability and errors and omissions insurance, each in the amount of One Million Dollars ($1,000,000) per occurrence, against 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 prescribe from time to time. 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 thirty (30) days' prior written notice to us of a policy's material modification, cancellation or expiration. You routinely must furnish us copies of your Certificate of Insurance or other evidence of your maintaining this insurance 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 shall 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 such insurance. You must ensure that each of your Sales Representatives, whether they are your employees or independent contractors, also satisfy the requirements set forth in this Section 8.F.

G. **COMPLIANCE WITH SYSTEM STANDARDS**. You acknowledge and agree that operating and maintaining your Business according to System Standards are essential to preserve the goodwill of the Marks and the goodwill of all Businesses. Therefore, you agree at all times to operate and maintain your Business according to each and every System Standard, as we periodically modify and supplement them. Though we retain the right to establish and periodically modify System Standards which you have agreed to maintain in the operation of your Business, you retain the right and sole responsibility for the day-to-day management and operation of your Business and the implementation and maintenance of System Standards at your Business. System Standards may regulate any aspect of your Business's operation and maintenance, including, but not limited to, any one or more of the following: (1) sales, marketing, advertising and promotional programs and materials and media used in these programs; (2) staffing levels for your Business and employee qualifications, training, and appearance (although you have sole responsibility and authority concerning employee selection and promotion, hours worked, rates of pay and other benefits, work assigned and working conditions); (3) use and display of the Marks; (4) days and hours of operation; (5) participation in market research; (6) terms of the client contracts; (7) bookkeeping, accounting, data processing and record keeping systems and forms; formats, content and frequency of reports to us of sales, revenue, and financial performance and condition; and (8) any other aspects of operating and maintaining your Business that we determine to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and Businesses.

You agree that System Standards we prescribe in the Operations Manual, or otherwise communicate to you in writing or another form, are part of this Agreement as if fully set forth within its text. All references to this Agreement include all System Standards as periodically modified. You acknowledge that our periodic modification of the System Standards (including, without limitation, changes to the hardware and software required for the Computer System), which may accommodate regional and/or local variations, may obligate you to invest additional capital in your Business and/or incur higher operating costs.

We have the right to operate, develop, and change the System Standards in any manner that is not specifically prohibited by this Agreement. Whenever we have reserved in this Agreement a right to take or to withhold an action, to grant or decline to grant you a right to take or withhold an action, or to provide or withhold approval or consent, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on information readily available to us and on our judgment of what is in our and/or the best interests of the **Realty World® Businesses** and the Marks at the time our decision is made.

H. **AFFILIATED VENDORS**. You acknowledge and agree that we have and will, at our option, continue to have affiliates that offer products or services to you or your clients. Even if we do not designate such affiliate as the sole supplier of such products or services, you agree to use commercially reasonable efforts to purchase products and/or services from such affiliate. You also agree to use commercially reasonable efforts to refer such affiliate to your clients.

I. **MEMBERSHIP IN MULTIPLE LISTING SERVICE; INTERNET DATA EXCHANGE**. You must join the local multiple listing service ("MLS") that encompasses the geographic area surrounding the Location and remain a member in good standing of such MLS throughout the term of this Agreement. You must ensure that each of your Sales Representatives, whether they are your employees or independent contractors, also satisfy this requirement. Subject to applicable law and the rules of the applicable MLS, you must provide us with access to the MLS so that we can obtain a listings data feed and provide an Internet Data Exchange (IDX) search on our Franchise System Website (defined in Section 9.C) and mobile app and such other websites and apps as we deem necessary. You must pay any fees the MLS charges for providing the IDX search on the products we specify.

9. **ADVERTISING.**

A. **NATIONAL ADVERTISING AND PROMOTIONAL FUND**. We have established a National Advertising and Promotional Fund for **Realty World® Businesses** (the "National Advertising and Promotional Fund"). We will use the National Advertising and Promotional Fund for advertising, marketing, and public relations programs and materials we deem appropriate. Neither we nor our affiliates currently operate any **Realty World® Businesses**. However, any **Realty World® Businesses** 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 for various forms of media (including, without limitation, television, radio, magazines, newspapers, direct mail, and email); developing, implementing, and maintaining a Franchise System Website (as defined in Section 9.C below) 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; using advertising, promotion, and marketing agencies and other advisors to provide assistance; conducting market research;

conducting social media campaigns; online lead generation; referral programs; real estate listing enhancement costs and subsidies; listing distribution arrangements; regional and national Franchise System events and related activities; social media development and training; awards; lead management system development, maintenance, and updates; customer loyalty programs; brand extension, development, and marketing; agent recruiting initiatives; and supporting public relations, market research, direct sales tools, websites, and other advertising, promotion, and marketing activities. 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's and other administrative costs, travel expenses of personnel while they are on 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 Funds 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 Section 9.A. 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. The successor entity will have all of the rights and duties specified in this Section 9.A.

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. Except as expressly provided in this Section 9.A, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the National Advertising and Promotional Funds.

We may at any time defer or reduce contributions of a **Realty World® Business** franchise owner and, upon thirty (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 twelve (12) month period.

B. **LOCAL ADVERTISING**. You must promote your Business by spending, in addition to the National Advertising and Promotional Fund Contributions, on local advertising, marketing, and promotions within the area reasonably surrounding the Location ("**Your Local Advertising**") an amount you reasonably determine as necessary to promote your Business. We will not collect Your Local Advertising, but upon our request, you will provide to us a report documenting all of Your Local Advertising expenses.

You agree to list and advertise your Business in at least one (1) recommended classified telephone directory distributed within your Business's market area (in the business classifications we prescribe from time to time) and to use form of classified telephone directory advertisement approved by us. You must also list your Business with the online directories and subscriptions we periodically prescribe (such as Google®), and/or establish any other Online Presence we require or authorize. If other **Realty World® Businesses** are located within the directory's distribution area, we may require you to participate in a collective advertisement with those other **Realty World® Businesses** and to pay your share of that collective advertisement. Your Local Advertising and promotion, including Online Presences, must follow our guidelines. You may not develop, maintain, or authorize any Online Presence that mentions or describes you or your Business or displays any of the Marks without our prior written consent. You also agree to participate, at your cost, in any direct mail program that we implement and to use an online lead generation service.

You agree that your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time. Before you use them, you agree to send us for approval samples of all advertising, promotional, and marketing materials which we have not prepared or previously approved. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved.

C. **WEBSITES**. You must establish a Website at your sole expense that describes you and your Business and displays the Marks we specify ("Approved Website"). You may not register any Internet domain names that include any of our Marks, including "**Realty World**" name, except that you may register a domain name that contains the "Realty World" name if it is a name that we have approved for your Business. At our option, we may register a domain name containing the Marks and license to you the right to use such domain name for the Approved Website during the term of the Agreement, provided that you are in full compliance with the Agreement and the System Standards. We 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 (as defined below) on your Approved Website.

Notwithstanding anything to the contrary contained herein, you acknowledge and agree that we may terminate your obligation and right to maintain an Approved Website at any time and require you to maintain a webpage on the Franchise System Website. If you desire to establish any Website, other than the Approved Website, using any of our Marks, you must obtain our prior written consent. You must follow any guidelines we provide regarding content of and use of the Marks in connection with, Websites describing **Realty World® Businesses**. You must also require each Sales Representative at your **Realty World® Business** to have a website and you will provide us with the email address for each Sales Representative at your **Realty World® Business**.

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 will maintain the Franchise System Website and may use the National Advertising and Promotional Fund's assets to develop, maintain, and update the Franchise System Website. You also must pay an annual fee (the "Website Fee") for the Franchise System Website. Our current Website Fee is $300 per year, and we may increase the Website Fee in our discretion upon notice to you. We periodically may update and modify the Franchise System Website (including your webpage). You acknowledge that we have final approval rights over all information on the Franchise System Website (including your webpage). 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 the 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 monthly maintenance fee for the webpage. We will own all intellectual property and other rights in the Franchise System Website, including your webpage, and all information they contain (including, without limitation, the domain name or URL for your webpage, the log of "hits" by visitors, and any personal or business data that visitors supply).

Even if we provide you a webpage on our Franchise System Website, we will only maintain such webpage while you are in full compliance with this Agreement and all System Standards we implement (including, without limitation, those relating to the Franchise System Website). If you are in default of any obligation under this Agreement or our System Standards, then we may, in addition to our other remedies, temporarily remove your webpage from the Franchise System Website until you fully cure the default. We will permanently remove your webpage from the Franchise System Website upon this Agreement's expiration or termination.

Except as provided above, or as approved by us in writing or in the Operations Manual, you may not develop, maintain or authorize any Online Presence that mentions your Business, links to any Franchise System Website or displays any of the Marks, or engage in any promotional or similar activities, whether directly or indirectly, through any Online Presence. If we approve the use of any such Online Presence in the operation of your Business, you will develop and maintain such Online Presence only in accordance with our guidelines, including our guidelines for posting any messages or commentary on other third-party websites. We will own the rights to each such Online Presence. At our request, you agree to grant us access to each such Online Presence, and to take whatever action (including signing assignment or other documents) we request to evidence our ownership of such Online Presence, or to help us obtain exclusive rights in such Online Presence.

D. **SALES REPRESENTATIVE MARKETING**. Subject to our right to approve advertising materials and use of the Marks under this Agreement, your Sales Representative may create Websites and other marketing materials that assist in the furtherance of their activities for your Business. You acknowledge and agree that your Sales Representatives will comply with our guidelines with respect to the use of our Marks. In the event any of your Sales Representative ceases to be an independent contractor for your Business for any reason, you must ensure that such Sales Representative immediately ceases to use all Marks and removes all Marks from any and all marketing materials used by such Sales Representative. Without limiting the foregoing, you acknowledge and agree that you must cause such Sales Representative to cease using the names "Realty World" and "RW" and any derivative thereof in any manner, including use of such names as part of any domain name, internet address or email address.

10. RECORDS, REPORTS, AND FINANCIAL STATEMENTS.

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe from time to time. We may require you to use a Computer System to maintain certain sales data and other information. You agree to give us in the manner and format that we prescribe from time to time:

(a) on or before the twenty-fifth (25^{th}) day of each calendar month, a report on your Gross Revenue of each Sales Representative during the preceding calendar month and the number of transactions closed;

(b) on or before the twenty-fifth (25^{th}) day of each calendar month, a listing of all Sales Representatives affiliated with your Business;

(c) within ninety (90) days after the end of each fiscal year, annual profit and loss and source and use of funds statements and a balance sheet for your Business as of the end of that fiscal year, prepared in accordance with generally accepted accounting principles. We reserve the right to require that you have these financial statements and the financial statements of any prior fiscal years certified and/or audited by an independent accounting firm approved by us in writing;

(d) within ten (10) days after our request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information we periodically require relating to your Business and the Franchise;

(e) on or before the twenty-fifth day (25^{th}) day of each calendar month, a report from your local real estate broker association listing all of the real estate agent affiliations;

(f) within ten (10) days after our request, the MLS roster for your Business along with MLS records reflecting all listings and sales activity for your Business during the immediately preceding twelve (12) month period; and

(g) within ten (10) days after our request, any other information we request regarding you and your Business in the format we require.

You agree to verify and sign each report and financial statement in the manner we prescribe. We may disclose data derived from these reports and other information submitted by you. Moreover, we may, as often as we deem appropriate (including on a daily basis), access the Computer System and retrieve all information relating to your Business's operation. You agree to preserve and maintain all records in a secure location at your Business for at least three (3) years (including, but not limited to, sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers).

11. **INSPECTIONS AND AUDITS.**

A. **<u>OUR RIGHT TO INSPECT YOUR BUSINESS</u>**. To determine whether you and your Business are complying with this Agreement and all System Standards, we and our designated agents or representatives, may at all times and without prior notice to you: (1) inspect your Business; (2) photograph your Business and observe and videotape your Business's operation for consecutive or intermittent periods we deem necessary; (3) remove samples of any products and supplies; (4) interview your Business's personnel and Sales Representatives; (5) interview customers; and (6) inspect and copy any books, records, and documents relating to your Business's operation. You agree to cooperate with us fully. If we exercise any of these rights, we will not interfere unreasonably with your Business's operation.

B. **<u>OUR RIGHT TO AUDIT</u>**. We may at any time during your business hours, and without prior notice to you, examine your (if you are an Entity) and your Business's business, bookkeeping, and accounting records, sales and income tax records and returns, and other records. You must cooperate fully with our representatives and independent accountants in any examination. If any examination discloses an understatement of your Business's Gross Sales, you must pay us, within fifteen (15) days after receiving the examination report, any Royalty Fees and National Advertising and Promotional Fund Contributions due on the amount of the understatement, plus our service charges and interest on the understated amounts from the date originally due until the date of payment. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement exceeding five percent (5%) of the amount that you actually reported to us for the period examined, you must reimburse us for the costs of the examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

12. **TRANSFER.**

A. **<u>BY US</u>**. You acknowledge that we maintain a staff to manage and operate the franchise system for the **Realty World® Businesses** and that staff members can change as employees come and go. You represent that you have not signed this Agreement in reliance on any particular shareholder, member, director, officer, or employee remaining with us in that capacity. We may change our ownership or form and/or assign this Agreement and any other agreement to a third party without restriction.

B. **<u>BY YOU</u>**. You understand and acknowledge that the rights and duties this Agreement creates are personal to you (or to your owners if you are an Entity) and that we have granted you the Franchise in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, without our prior written approval, you may not transfer any of the following, or attempt to transfer any of the following, including by listing any of the following for sale on any sales directory or platform: (1) this Agreement (or any interest in this Agreement); (2) your Business or substantially all of its assets; (3) any ownership interest in you (regardless of its size); (4) and/or any ownership interest in any of your owners (if such owners are legal entities). A transfer of your Business's ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect. In this Agreement, the term "transfer" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition of any interest in this Agreement, you or substantially all of the assets of your Business. Without limiting the foregoing, you may not, without our prior written consent, pledge this Agreement (to someone other than us) or of an ownership interest in you or your owners or transfer of an interest in this Agreement or substantially all of the assets of your Business in a divorce, insolvency or entity dissolution proceeding.

C. **CONDITIONS FOR APPROVAL OF TRANSFER**. If you (and your owners) are in full compliance with this Agreement, then, subject to the other provisions of this Section 12, we will approve a transfer that meets all of the requirements in this Section 12.C. A non-controlling ownership interest in you or your owners (determined as of the date on which the proposed transfer will occur) may be transferred if the proposed transferee and its direct and indirect owners (if the transferee is an Entity) are of good character and meet our then applicable standards for Business franchise owners (including no ownership interest in or performance of services for a Competitive Business). If the proposed transfer is of this Agreement or a controlling ownership interest in you or one of your owners, or is one of a series of transfers (regardless of the time period over which these transfers take place) which in the aggregate transfer this Agreement or a controlling ownership interest in you or one of your owners, then all of the following conditions must be met before or concurrently with the effective date of the transfer:

(1) the transferee has sufficient business experience, aptitude, and financial resources to operate your Business;

(2) you have paid all Support Fees, Royalty Fees, and National Advertising and Promotional Fund Contributions, and other amounts owed to us, our affiliates, and third party vendors; have submitted all required reports and statements;

(3) you have not violated any provision of this Agreement or any other agreement with us during both the sixty (60) day period before you requested our consent to the transfer and the period between your request and the effective date of the transfer;

(4) neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business;

(5) the transferee (or its managing owner) satisfactorily complete our training program;

(6) your landlord allows you to transfer the Lease or sublease the Location to the transferee;

(7) the transferee agrees (if the transfer is of this Agreement), if we determine is necessary, to upgrade, remodel, and refurbish your Business in accordance with our current requirements and specifications for Businesses within forty-five (45) days after the effective date of the transfer (we will advise the transferee before the effective date of the transfer of the specific actions that it must take within this time period);

(8) the transferee shall (if the transfer is of this Agreement), or you shall (if the transfer is of a controlling ownership interest in you or one of your owners), sign our then current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement;

(9) you pay us a transfer fee of $3,500;

(10) you (and your transferring owners) sign a general release, in a form satisfactory to us, of any and all claims against us and our owners, officers, directors, employees, and agents;

(11) we have determined that the purchase price and payment terms will not adversely affect the transferee's operation of your Business;

(12) if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in your Business are subordinate to the transferee's obligation to pay Support Fees, Royalty Fees, National Advertising and Promotional Fund Contributions, and other amounts due to us, our affiliates, and third party vendors and otherwise to comply with this Agreement;

(13) you and your transferring owners will not, for a period of two (2) years after the sale of your Business (or ownership interest in you), directly or indirectly, compete with, or solicit sales representatives or clients of, your Business; and

(14) you and your transferring owners will not directly or indirectly at any time or in any manner (except with respect to other **Realty World® Businesses** you own and operate) identify yourself or themselves or any business as a current or former **Realty World® Business** or as one of our franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a **Realty World® Business** in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with us.

We may review all information regarding your Business that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding your Business. We will not approve any transfer that we determine is not a bona fide, arms' length transfer or is not being consummated in good faith by you and the transferee.

Our consent to a transfer of this Agreement and your Business, or any interest in you or your owners, is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your Business's or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand full compliance by you and the transferee with this Agreement.

D. **TRANSFER TO A WHOLLY-OWNED CORPORATION OR LIMITED LIABILITY COMPANY**. Notwithstanding Section 12.C above, if you are in full compliance with this Agreement, you may transfer this Agreement to a corporation or limited liability company which conducts no business other than your Business and, if applicable, other Businesses, in which you maintain management control, and of which you own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all of your Business's assets are owned, and your Business's business is conducted, only by that single corporation or limited liability company. The corporation or limited liability company must expressly assume all of your obligations under this Agreement. You agree to remain personally liable under this Agreement as if the transfer to the corporation or limited liability company did not occur and sign the form of consent to assignment and assignment to corporate entity satisfactory to us which may include a general release of any and all claims against us and our owners, officers, directors, employees and agents. You further agree to provide us with all organizational documents for the corporation or limited liability company that we require.

E. **YOUR DEATH OR DISABILITY**.

(1) **Transfer Upon Death or Disability**. Upon your or any of your owners' death or disability, your or your owner's executor, administrator, conservator, guardian, or other personal representative must transfer your interest in this Agreement, or the owner's ownership interest in you, to a third party (which may be your or your owner's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed nine (9) months from the date of death or disability, and is subject to all of the terms and conditions in this Section 12. The term "disability" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent you or your owner from supervising your Business's management and operation.

(2) **Operation Upon Death or Disability**. If, upon your Designated Manager's death or disability, a manager approved by us is not managing your Business, you must appoint a manager within thirty (30) days of the date of death or disability. The manager must complete our standard training program at your expense. A new Designated Manager acceptable to us also must be appointed for your Business within thirty (30) days.

F. **OUR RIGHT OF FIRST REFUSAL**. If you (or any of your owners) at any time determine to sell or transfer for consideration an interest in this Agreement and your Business, or an ownership interest in you (except to or among your current owners, which is not subject to this Section 12.F), in a transaction that otherwise would be allowed under Sections 12.B. and 12.C above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Agreement and your Business. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price. The right of first refusal process will not be triggered by a proposed transfer that would not be allowed under Sections 12.B. and 12.C above. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

We may, by written notice delivered to you or your selling owner(s) within thirty (30) days after we receive both an exact copy of the offer and all other information we request, elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that: (1) we may substitute cash for any form of payment proposed in the offer; (2) our credit will be deemed equal to the credit of any proposed buyer; (3) we will have an additional thirty (30) days to prepare for closing after notifying you of our election to purchase; and (4) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in a legal entity, as applicable.

If we exercise our right of first refusal, you and your selling owner(s) (and your and their immediate family members) agree that, for two (2) years beginning on the closing date, you and they will be bound by the non-competition covenant contained in Section 15.D. below. We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section 12.F. If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with, and you (and your owners) and the transferee comply with the conditions in, Sections 12.B. and 12.C above.

If you do not complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal during the thirty (30) day period following either the expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our or our designee's option.

13. **EXPIRATION OF THIS AGREEMENT.**

A. **YOUR RIGHT TO ACQUIRE A SUCCESSOR FRANCHISE**. When this Agreement expires:

(1) if you (and each of your owners) have substantially complied with this Agreement during its term; and

(2) provided that (a) you maintain possession of and agree (regardless of cost) to remodel and/or expand your Business, add or replace improvements and Operating Assets, and otherwise modify your Business as we require to comply with System Standards then applicable for new Businesses, or (b) at your option, you secure a substitute premises that we approve and you develop those premises according to System Standards then applicable for Businesses,

then you may acquire a successor franchise to operate your Business as a **Realty World® Business** for an additional term of five (5), seven (7), ten (10), fifteen (15) or twenty (20) years, at your option. You agree to sign the franchise agreement we then use to grant franchises for **Realty World® Businesses** (modified as necessary to reflect the fact that it is for a successor franchise), which may contain provisions that differ materially from any and all of those contained in this Agreement; provided that you will pay a renewal fee of One Thousand Five Hundred Dollars ($1,500) and we will waive the initial franchise fee.

B. **GRANT OF A SUCCESSOR FRANCHISE**. You agree to give us written notice of your election to acquire a successor franchise no more than three hundred sixty (360) days and no less than one hundred eighty (180) days before this Agreement expires. If you fail to notify us of your election to acquire a successor franchise within the prescribed time period, we need not grant you a successor franchise. We agree to give you written notice ("Our Notice"), not more than thirty (30) days after we receive your notice, of our decision:

(1) to grant you a successor franchise;

(2) to grant you a successor franchise on the condition that you correct existing deficiencies of your Business or in your operation of your Business;

(3) not to grant you a successor franchise based on our determination that you and your owners have not substantially complied with this Agreement during its term or were not in full compliance with this Agreement and all System Standards on the date you gave us written notice of your election to acquire a successor franchise; or

(4) not to grant you a successor franchise because we no longer maintain a franchise program for Businesses.

If we elect not to grant you a successor franchise, Our Notice will describe the reasons for our decision. If we elect to grant you a successor franchise, your right to acquire a successor franchise is subject to your full compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in Our Notice, which may include actions to cure any operating deficiencies or to bring your Business into compliance with then applicable System Standards.

C. **AGREEMENTS/RELEASES**. If you satisfy all of the other conditions for a successor franchise, you and your owners agree to execute the form of franchise agreement and any ancillary agreements we then customarily use in granting franchises for Businesses (modified as necessary to reflect the fact that it is for a successor franchise), which may contain provisions that differ materially from any and all of those contained in this Agreement. You and your owners further agree to sign general releases, in a form satisfactory to us, of any and all claims against us and our owners, officers, directors, employees, agents, successors, and assigns.

D. **OUR RIGHT TO SOLICIT SALES REPRESENTATIVES**. You acknowledge and agree that if you fail to give us with written notice of your election to acquire a successor franchise one hundred eighty (180) days prior to the expiration of this Agreement or if you give us written notice that you do not elect to acquire a successor franchise, we may immediately commence to solicit your Sales Representatives and other employees for other **Realty World® Businesses** or any other business.

14. **TERMINATION OF AGREEMENT.**

We may terminate this Agreement, effective upon delivery of written notice of termination to you, if:

(1) you (or any of your owners) have made or make any material misrepresentation or omission in acquiring the Franchise or operating your Business;

(2) you do not open your Business for business within the time frame set forth in Section 2.D;

(3) you (or your Designated Manager) do not satisfactorily complete initial training;

(4) you abandon or fail actively to operate your Business for thirty (30) or more consecutive days, unless you close your Business for a purpose we approve;

(5) you surrender or transfer control of your Business's operation without our prior written consent;

(6) you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest or guilty to, a felony;

(7) you fail to maintain the insurance we require and do not correct the failure within ten (10) days after we deliver written notice of that failure to you;

(8) you (or any of your owners) engage in any dishonest or unethical conduct which, in our opinion, adversely affects your Business's reputation or the goodwill associated with the Marks;

(9) you (or any of your owners or, if one or more of your owners is an Entity, the owner of a controlling interest in that Entity) make or attempt to make an unauthorized assignment of this Agreement, an ownership interest in you (or your owner), or your Business;

(10) you lose the right to occupy the Location or relocate to another location without our prior written consent;

(11) you (or any of your owners) knowingly make any unauthorized use or disclosure of any part of the Operations Manual or any other Confidential Information;

(12) you violate any law, ordinance, rule or regulation of a governmental agency in connection with the operation of your Business and fail to correct such violation within seventy-two (72) hours after you receive notice from us or any other party;

(13) you fail to pay us (or our affiliates) any amounts due and do not correct the failure within ten (10) days after we deliver written notice of that failure to you;

(14) you fail to pay when due any federal or state income, service, sales, or other taxes due on your Business's operation, unless you are in good faith contesting your liability for these taxes;

(15) you understate your Sales Representatives' Gross Revenue three (3) times or more during this Agreement's term or by more than five percent (5%) on any one occasion;

(16) you fail to report the accurate number of Sales Representative three (3) times or more during this Agreement's term;

(17) you (or any of your owners) (a) fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you; or (b) fail on two (2) or more separate occasions within any six (6) consecutive month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;

(18) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; your Business is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee, or liquidator of you or your Business is not vacated within thirty (30) days following the order's entry;

(19) you file a petition in bankruptcy or a petition in bankruptcy is filed against you;

(20) you (or any of your owners) fail to comply with anti-terrorism laws, ordinances, regulations and Executive Orders;

(21) your real estate license is suspended or revoked;

(22) you fail to meet the Sales Representative Quota and do not correct the failure within ninety (90) days after we deliver written notice of the failure to you;

(23) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct the failure within thirty (30) days after we deliver written notice of the failure to you; or

(24) you fail to comply with any other agreement with us or our affiliate and do not correct such failure within the applicable cure period, if any.

15. OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT.

A. **PAYMENT OF AMOUNTS OWED TO US**. You agree to pay us immediately after this Agreement expires or is terminated the amounts owed to us (and our affiliates) which then are unpaid.

B. **DE-IDENTIFICATION**. When this Agreement expires or is terminated for any reason:

(1) you may not directly or indirectly at any time or in any manner (except with other Businesses you own and operate) identify yourself or any business as a current or former **Realty World® Business** or as one of our current or former franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a **Realty World® Business** in any manner or for any purpose; or use for any purpose any trade name, trade or service mark, or other commercial symbol that indicates or suggests a connection or association with us;

(2) you agree to take the action required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(3) you agree to deliver to us, at your expense, within thirty (30) days all signs, sign-faces, sign-cabinets, marketing materials, forms, letterhead and other materials containing any Mark or otherwise identifying or relating to a **Realty World® Business** that we request and allow us, without liability to you or third parties, to remove these items from your Business;

(4) you agree to immediately notify your state real estate commission, your local board of realtors, the National Association of REALTORS, and your clients that your **Realty World® Business** is no longer in existence and that you are no longer affiliated with us;

(5) you agree promptly and at your own expense to make the alterations we specify in our Operations Manual (or otherwise) to distinguish your Business clearly from its former appearance and from other **Realty World® Businesses** in order to prevent public confusion;

(6) you agree to immediately notify the telephone company and all telephone directory publishers of the termination or expiration of your right to use any telephone, facsimile, or other numbers and telephone directory listings associated with any Mark; to pay all outstanding balance due relating to such numbers or listings; to authorize the transfer of these numbers and directory listings to us or, at our direction, to a third party; and/or to instruct the telephone company to forward all calls made to your numbers to numbers we specify. If you fail to do so, we may take whatever action and sign whatever documents we deem appropriate on your behalf to effect these events;

(7) you agree to immediately (i) cease using or operating any Online Presence related to your Business or the Marks and (ii) take any action as may be required to disable such Online Presence, or transfer exclusive control and access of such Online Presence to us, as we determine in our sole discretion;

(8) you agree to shut down the Approved Website, cease using any Marks on any Website and to transfer all domain names containing our names to us;

(9) you agree to notify all vendors that your Business is no longer in existence and that you are no longer affiliated with us; and

(10) you agree to give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of your compliance with these obligations.

C. **CONFIDENTIAL INFORMATION**. You agree that, when this Agreement expires or is terminated, you will immediately cease using any of our Confidential Information (including marketing plans, award point programs, and computer software or similar technology and digital passwords and identifications that we have licensed to you or that otherwise are proprietary to us or the Franchise System) in any business or otherwise and return to us all copies of the Operations Manual and any other confidential materials that we have loaned you.

D. **COVENANT NOT TO COMPETE**. If we terminate this Agreement pursuant to Section 14 or if you terminate this Agreement without cause, you and your owners agree that, for two (2) years beginning on the effective date of the termination, neither you nor any of our owners (or their immediate family members) will have any direct or indirect interest as an owner (whether or record, beneficially, or otherwise), investor, partner, director or officer, in any Competitive Business (as defined in Section 7 above) located or operating within a twenty-five (25) mile radius of the Location.

E. **SOLICITATION OF SALES REPRESENTATIVES**. You acknowledge and agree that upon termination or expiration of this Agreement, we have the right to solicit your Sales Representatives and other employees for other Realty World® Businesses or any other business.

F. **CONTINUING OBLIGATIONS**. All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

16. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.**

A. **INDEPENDENT CONTRACTORS**. You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that you and we are and will be independent contractors, and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously in all dealings with customers, suppliers, public officials, Business personnel, and others as your Business's owner under a franchise we have granted and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials we require from time to time.

B. **NO LIABILITY FOR ACTS OF OTHER PARTY**. We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of your Business's operation or the business you conduct under this Agreement.

C. **TAXES**. We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, whether levied upon you or your Business, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of your operation or payments that you make to us.

D. **INDEMNIFICATION**. You acknowledge, covenant and agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective shareholders, members, directors, officers, employees, agents, successors, and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the operation of your Business, the business you conduct under this Agreement, or your breach of this Agreement, including, without limitation, those alleged to be caused by the Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court with competent jurisdiction. For purposes of this indemnification, "claims" include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity will survive and continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this subparagraph.

17. **ENFORCEMENT.**

A. **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS**. Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a successor franchise agreement, or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

B. **WAIVER OF OBLIGATIONS**. We and you may by written instrument unilaterally waive or reduce any of the obligation of, or restriction upon, the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including, without limitation, any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Businesses; the existence of franchise agreements for other Businesses which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform our or your obligations results from: (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government; (2) acts of God; (3) fires, strikes, embargoes, war, acts of terrorism or similar events, or riot; or (4) any other similar event or cause. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payments of amounts owed at the time of the occurrence or payment of amounts due afterward.

C. **COSTS AND ATTORNEYS' FEES**. If either party initiates an arbitration, judicial or other proceeding, the prevailing party shall be entitled to reasonable costs and expenses (including attorneys' fees incurred in connection with such arbitration, judicial or other proceeding).

D. **YOU MAY NOT WITHHOLD PAYMENTS DUE TO US**. You agree that you will not withhold payment of any amounts owed to us on the grounds of our alleged nonperformance of any of our obligations under this Agreement or for any other reason, and you specifically waive any right you may have at law or in equity to offset any funds you may owe us or to fail or refuse to perform any of your obligations under this Agreement. You agree to submit all claims, unless otherwise resolved by our and your mutual agreement, to mediation as provided in Section 17.F below.

E. **RIGHTS OF PARTIES ARE CUMULATIVE**. Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

F. **MEDIATION**. We and you agree that, except for controversies, disputes, or claims related to or based on improper use of the Marks, all controversies, disputes, or claims between us and our affiliates, and our and their respective shareholders, members, officers, directors, agents, and/or employees and you (and/or your owners, guarantors, affiliates, and/or employees) arising out of or related to:

(1) this Agreement or any other agreement between you (or your owners) and us (or our affiliates);

(2) our relationship with you;

(3) the scope or validity of this Agreement or any other agreement between you (or your owners) and us (or our affiliates) or any provision of any of such agreements; or

(4) any System Standard;

must be submitted for non-binding mediation, on demand of either party prior to the filing of any litigation. The mediation proceedings will be conducted by a mediator mutually agreed upon by the parties at a location selected by the mediator located within fifty (50) miles of our then-current principal office (currently Newport Beach, California). If the parties cannot agree upon a mediator, then each party shall select a mediator and the two (2) mediators shall select the mediator to conduct the mediation. You agree to attend (or if you are an Entity, to have a member of your senior management with full authority to settle any such dispute on your behalf attend) the mediation. Unless you and we agree prior to the commencement of mediation, the mediation will be limited to one (1) day with the costs of the mediation to be divided equally between the parties. If any party that is required to attend the mediation refuses to attend and participate in good faith, that party will be responsible for the costs incurred by the other party or parties in connection with the mediation, including the costs of any action to compel attendance at a subsequent mediation, reasonable attorneys' fees, mediation charges for the original and subsequent mediation, and travel and living expenses. Despite our and your agreement to mediate, we and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction.

G. **GOVERNING LAW**. **EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051** ET SEQ.**), OR OTHER UNITED STATES FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH YOUR BUSINESS IS LOCATED WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY STATE LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH.**

H. **CONSENT TO JURISDICTION**. **SUBJECT TO SECTION 17.F. ABOVE AND THE PROVISIONS BELOW, YOU AND YOUR OWNERS AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED IN A COURT OF GENERAL JURISDICTION NEAREST TO OUR THEN CURRENT PRINCIPAL PLACE OF BUSINESS (CURRENTLY NEWPORT BEACH, CALIFORNIA), AND YOU (AND EACH OWNER) IRREVOCABLY SUBMIT TO THE JURISDICTION OF THAT COURT AND WAIVE ANY OBJECTION YOU (OR THE OWNER) MIGHT HAVE TO EITHER THE JURISDICTION OF OR VENUE IN THAT COURT.**

I. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL. EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 16.D., AND EXCEPT FOR PUNITIVE, EXEMPLARY OR MULTIPLE DAMAGES AVAILABLE TO EITHER PARTY UNDER UNITED STATES FEDERAL LAW, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.**

WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US.

J. **REMEDIES**. Except as set forth in Section 17.I above, the court will have the right to award any relief which it deems proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from the date due), lost profits, specific performance, injunctive relief, and attorneys' fees and costs. The parties agree that, in addition to other damages awarded by the court, if this Agreement is terminated by us for cause or by you without cause, you shall be liable to us for a lump sum amount equal to the net present value of amounts due under this Agreement, including, without limitation, the Support Fee, Royalty Fee, National Advertising and Promotional Fund Contributions that would have become due following termination of this Agreement for the period of this Agreement would have remained in effect but for your default or wrongful termination. For purposes of calculating the present value of amounts due under this Agreement, the parties shall use an amount equal to the average amount of fees paid during the twelve (12) calendar months immediately preceding the termination.

K. **INJUNCTIVE RELIEF**. Nothing in this Agreement bars our right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause us, the Marks and/or the Franchise System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

L. **BINDING EFFECT**. This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Operations Manual and System Standards, this Agreement may not be modified except by a written agreement signed by our Chief Executive Officer and one other duly authorized officer or other representative and your duly-authorized officers.

M. **LIMITATIONS OF CLAIMS**. **WE AND YOU AGREE THAT ANY THAT A LITIGATION OR ARBITRATION PROCEEDING BETWEEN US AND OUR AFFILIATES, AND OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND/OR EMPLOYEES, AND YOU (AND/OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND/OR EMPLOYEES) MAY NOT BE JOINED WITH ANY OTHER LITIGATION OR ARBITRATION PROCEEDING BETWEEN US AND ANY OTHER PERSON. EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US OR OUR AFFILIATE, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS. NO PREVIOUS COURSE OF DEALING SHALL BE ADMISSIBLE TO EXPLAIN, MODIFY, OR CONTRADICT THE TERMS OF THIS AGREEMENT. NO IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING SHALL BE USED TO ALTER THE EXPRESS TERMS OF THIS AGREEMENT.**

N. **EFFECTIVE DATE**. **THIS AGREEMENT SHALL NOT BE EFFECTIVE UNTIL ACCEPTED BY US AS EVIDENCED BY DATING AND SIGNING BY EITHER (i) TWO (2) OF OUR DULY AUTHORIZED OFFICERS OR REPRESENTATIVES OR (ii) OUR PRESIDENT AND CEO ALONE (SUCH DATE TO BE THE "EFFECTIVE DATE" FOR PURPOSES OF THIS AGREEMENT). NOTWITHSTANDING THAT THIS AGREEMENT SHALL NOT BE EFFECTIVE UNTIL SIGNED BY US, WE RESERVE THE RIGHT TO MAKE THE EFFECTIVE DATE OF THIS AGREEMENT THE DATE ON WHICH YOU SIGN THE AGREEMENT.**

O. **CONSTRUCTION**. The preambles and exhibits are a part of this Agreement which, together with the System Standards contained in the Operations Manual (which may be periodically modified, as provided in Sections 4.C., 8.G., and 17.L. above), constitutes our and your entire agreement. Other than the representations in the franchise disclosure document you received from us, there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or your Business (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us. Except as provided in Sections 16.D. and 17.F., nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval. The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

References in this Agreement to "we," "us," and "our," with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal. The term "affiliate" means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. "Control" means the power to direct or cause the direction of management and policies.

If two or more persons are at any time the owners of the Franchise and your Business, whether as partners or a joint venture, their obligations and liabilities to us will be joint and several. References to "owner" mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of this Agreement and your Business or an ownership interest in you), including, without limitation, any person who has a direct or indirect interest in you (or a transferee), this Agreement, the Franchise, or your Business and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets. References to a "controlling ownership interest" in you or one of your owners (if an Entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, the determination of whether a "controlling ownership interest" is involved must be made as of both immediately before and immediately after the proposed transfer to see if a "controlling ownership interest" will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer). "Person" means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

The term "your Business" includes all of the assets of the **Realty World® Business** you operate under this Agreement, including its revenue and the Lease.

This Agreement may be executed in multiple copies, each of which will be deemed an original.

18. NOTICES AND PAYMENTS.

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operations Manual will be deemed to be delivered: (a) at the time delivered by hand; (b) at the time delivered via computer transmission and, in the case of amounts due, at the time we actually receive payment; (c) one (1) business day after transmission by facsimile or other electronic system if the sender has confirmation of successful transmission; (d) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or (e) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and (f) must be addressed to the party to be notified at its most current principal business address of which the notifying party has notice. Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before then) will be deemed delinquent.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

THIS AGREEMENT SHALL NOT BE EFFECTIVE UNTIL ACCEPTED BY US AS EVIDENCED BY DATING AND SIGNING BY OUR CEO.

REALTY WORLD, INC., a Nevada corporation

By:___________________________________
Andrew Cimerman, CEO

DATED:_____________________________
(Effective Date of the Franchise Agreement)

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____

____
[Name]

By:_________________________________

Title:______________________________

DATED:____________________________

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

DATED:____________________________

EXHIBIT A

TO THE FRANCHISE AGREEMENT
BETWEEN REALTY WORLD, INC.
AND

____

You and Your Owners

1. **Form of Owner**.

(a) **Individual Proprietorship**. Your owner(s) (is) (are) as follows:

____
–
____

____

(b) **Corporation, Limited Liability Company, or Partnership.** You were incorporated or formed on __________________, under the laws of the State of ____________________. You have not conducted business under any name other than your corporate, limited liability company, or partnership name and ______________________ _______. The following is a list of your directors, if applicable, and officers as of the effective date shown above:

Name of Each Director/Officer	Position(s) Held
________________________________	______________________________________
________________________________	______________________________________
________________________________	______________________________________
________________________________	______________________________________
________________________________	______________________________________
________________________________	______________________________________

2. **Owners**. The following list includes the full name of each person who is one of your owners (as defined in the Franchise Agreement), or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

	Owner's Name	**Description of Interest**
(a)	___________________________________	____
(b)	___________________________________	____
(c)	___________________________________	____
(d)	___________________________________	____

3. **Designated Manager**. The Designated Manager is ________________________________.

REALTY WORLD INC.,
a Nevada corporation

By:_____________________________________
Andrew Cimerman

DATED:______________________________

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____

____
[Name]

By:___________________________________

Title:_________________________________

DATED:______________________________

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

DATED:______________________________

EXHIBIT B

TO THE FRANCHISE AGREEMENT
BETWEEN REALTY WORLD, INC.
AND
____

SALES REPRESENTATIVE QUOTA

You agree to have a minimum of a total of:

_______Sales Representatives for your Business by the one (1) year anniversary of the Effective Date;

_______Sales Representatives for your Business by the two (2) year anniversary of the Effective Date; and

_______Sales Representatives for your Business by the three (3) year anniversary of the Effective Date and for the remainder of the term of the Agreement.

Only Sales Representatives who have not previously been affiliated with **Realty World® Businesses** (other than a **Realty World® Business** owned by you) for the twelve (12) month period prior to joining your Business may count towards the Sales Representative Quota. Once a Sales Representative affiliates with you, such Sales Representative will continue to count towards the Minimum Sales Representative Quota as long as such Sales Representative remains affiliated with you.

[signatures on following page]

REALTY WORLD INC.,
a Nevada corporation

By:__________________________________
Andrew Cimerman, CEO

DATED:____________________________

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____

____
[Name]

By:__________________________________

Title:________________________________

DATED:____________________________

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

DATED:____________________________

<u>EXHIBIT C-1</u>

TO THE FRANCHISE AGREEMENT

BETWEEN REALTY WORLD, INC.
AND

____

PERCENTAGE FEE BASIS PLAN

By initialing each page of and signing this Exhibit C-1, you agree to pay the Royalty Fee and the National Advertising and Promotional Fund Contribution as a percentage of Gross Revenue pursuant to the terms of this Exhibit C-1.

Your election will apply during the entire term of the Franchise Agreement.

ROYALTY FEE:

A. Four percent (4%) of Gross Revenue in each calendar year up to and including One Million Dollars ($1,000,000) of aggregate Gross Revenue for such calendar year.

B. One percent (1%) of Gross Revenue in each calendar year in excess of One Million Dollars ($1,000,000).

NATIONAL ADVERTISING AND PROMOTIONAL FUND CONTRIBUTIONS:

A. One percent (1%) of Gross Revenue in each calendar year up to and including One Million Dollars ($1,000,000) of aggregate Gross Revenue for such calendar year.

B. After you have obtained One Million Dollars ($1,000,000) of aggregate Gross Revenue for a given calendar year, you will not be required to make any further National Advertising and Promotional Fund Contributions for such calendar year.

PAYMENT START DATE

You agree to commence paying all fees due hereunder the earlier of the date on which you commence operating your Business or ___________, 20__.

BROKER OF RECORD

The Broker of Record is ________________________________.

Franchisee __________ RW ________

REALTY WORLD INC.,
a Nevada corporation

By:__________________________________
Andrew Cimerman, CEO

DATED:____________________________

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____

____
[Name]

By:__________________________________

Title:________________________________

DATED:____________________________

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

DATED:____________________________

EXHIBIT C-2

TO THE FRANCHISE AGREEMENT BETWEEN REALTY WORLD, INC. AND

____

FLAT FEE BASIS PLAN

By initialing each page of and signing this Exhibit C-2, you agree to pay the Royalty Fee, the National Advertising and Promotional Fund Contribution, and Your Local Advertising on a flat fee basis pursuant to the terms of this Exhibit C-2.

Your election will apply during the entire term of the Franchise Agreement.

ROYALTY FEE: The product of $74 multiplied by the number of Sales Representatives registered with your Business during the calendar month immediately preceding the date the Royalty Fee is due to us; *provided, however*, we cap the number of Sales Representatives used in calculating the Royalty Fee at 100 (even if you have more than 100 Sales Representatives affiliated with your Business) so in no event will the monthly Royalty Fee exceed $7,400.

NATIONAL ADVERTISING AND PROMOTIONAL FUND CONTRIBUTIONS: The sum of: (a) $50; plus (b) the product of $25 multiplied by the number of Sales Representatives registered with your Business during the calendar month immediately preceding the date the National Advertising and Promotional Fund Contribution is due to us; *provided, however*, we cap the number of Sales Representatives used in calculating the National Advertising and Promotional Fund Contribution at 100 (even if you have more than 100 Sales Representatives affiliated with your Business) so in no event will the monthly National Advertising and Promotional Fund Contribution exceed $2,550.

PAYMENT START DATE

You agree to commence paying all fees due hereunder the earlier of the date on which you commence operating your Business or ___________, 20__.

BROKER OF RECORD

The Broker of Record is ________________________________.

OPTION TO PLACE UP TO 25% OF SALES REPRESENTATIVES ON PERCENTAGE BASIS PLAN:

Notwithstanding the fact that by signing and initial this Exhibit C-2 you have elected to pay the Royalty Fee and the National Advertising and Promotional Fund Contribution on a flat fee basis pursuant to the terms of this Exhibit C-2, we hereby grant you the option, once per calendar year, to place up to 25% of the Sales Representatives for your Business on the Percentage Basis Plan (the "Limited Alternative Contribution").

Franchisee __________ RW ________

Pursuant to the Limited Alternative Contribution, you have the option of electing annually for each calendar year, the Limited Alternative Contribution, and you will be required to designate by name, the Sales Representatives included in the Limited Alternative Contribution plan; *provided, however*, you (or if you are an entity, your owners) are not eligible to be designated. You must notify us by December 1, which Sales Representatives will be included in the Limited Alternative Contribution to commence on January 1 of the following year. You may only include up to 25% of the Sales Representatives affiliated with your Business. Once you have selected a Sales Representative to be included within the Limited Alternative Contribution, such Sales Representative must remain under the Limited Alternative Contribution for the remainder of the calendar year.

For your first year or partial year of operation, we will provide you a "Letter of Intention" and the "Limited Alternative Method Request," which you must complete and return to us within five (5) days of your receipt of our Letter of Intention in order to utilize the Limited Alternative Contribution for your first year or partial year of operation.

Each month during which you participate in the Limited Alternative Contribution, we will provide you with the following forms to be completed: (1) Monthly Invoice Report; (2) Limited Alternative Monthly Invoicing Method Report; (3) Limited Alternative Monthly Invoice Closing Report (when applicable), collectively referred to as ("the Reports"). You must complete the Reports accurately and in full and return to us each month within five (5) days of your receipt of the foregoing forms.

In the event that you fail to accurately complete and/or return the Reports for three (3) consecutive months, you will be invoiced for all Sales Representatives on a flat-fee basis pursuant to the terms of this Exhibit C-2 for the remainder of the calendar year.

Annually, by the last day of February, you must provide us with a copy of the 1099 or like year-end reporting method ("a Financial Report") for each Sales Representative participating in the Limited Alternative Contribution. In the event that the Financial Report indicates that you underpaid us during the year for any particular Sales Representative who participated in the Limited Alternative Contribution in the preceding year, we will invoice you for the difference between what you paid us and what you should have paid us.

Further, in the event that you fail to provide us with the Reports, and/or the Reports are inaccurate, and/or you fail to provide us with a Financial Report for each Sales Representative on the Limited Alternative Contribution, we will invoice you for the difference between what you actually paid us and what you would have paid us had such Sales Representatives been on a flat-fee basis pursuant to the terms of this Exhibit C-2 during the full preceding calendar year.

REALTY WORLD INC.,
a Nevada corporation

By:__________________________________
Andrew Cimerman, CEO

DATED:____________________________

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____

____
[Name]

By:__________________________________

Title:________________________________

DATED:____________________________

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

DATED:____________________________

EXHIBIT D

TO THE FRANCHISE AGREEMENT BETWEEN REALTY WORLD, INC. AND

____

COMPUTER SOFTWARE LICENSING AGREEMENT

COMPUTER SOFTWARE LICENSING AGREEMENT

THIS COMPUTER SOFTWARE LICENSING AGREEMENT (this "Agreement") is entered into as of the Effective Date, by and between Realty World, Inc. (referred to as "we", or "us"), and ______________________________ (referred to as "you" or "your").

WHEREAS, you and we are parties to that certain Franchise Agreement, dated ________ (the "Franchise Agreement"), pursuant to which you are authorized to own and operate a Realty World® business ("your Business") located at __________________________.

WHEREAS, in addition to the systems, programs and tools available to Realty World® franchisees, we have developed an Internet-based software platform (the "Software Platform"), currently available through a website located at www.reallium.com, incorporating certain third-party software providers ("Third Party Providers") who will supply marketing materials, advertising programs and technology products and;

WHEREAS, we desire to make the Software Platform available to you and your Sales Representatives (as such term is defined in the Franchise Agreement), and;

WHEREAS, you desire to utilize the Software Platform in your Business, pursuant to the terms and conditions hereinafter provided.

NOW, THEREFORE, in consideration of the promises and the mutual covenants of this Agreement, the parties agree as follows:

1. GRANT

a) We hereby grant to you and your Sales Representatives, for the term of this Agreement, a nonexclusive, non-assignable, right and license to use the Software Platform in connection with your Business.

b) You acknowledge that the Third Party Providers may alter their programs and services without warning to you or us, and that we may change Third Party Providers at any time at our sole discretion.

2. TERM

This Agreement shall be effective as of the date it is executed by us (the "Effective Date") and shall extend for the period of one (1) year ("Initial Term"). This Agreement shall be automatically renewed for additional one-year terms ("Extended Term") unless you notify us in writing of your intention not to renew the Agreement, said notice to be provided at least sixty (60) days prior to the expiration of the then in-effect Term.

3. COST / FEES

In consideration for the license granted hereunder during the Initial Term of this Agreement and for each Extended Term, you agree to pay us the Monthly User Fee set out in Schedule A (the User Fee) in accordance with the Payment Process recited in Schedule A.

4. CONFIDENTIALITY / SECURITY

a) You acknowledge that the Software Platform provided by the Third Parties Suppliers and us under this Agreement contains Confidential Information belonging either to the Third Parties Suppliers or to us. Nothing in this Agreement transfers any right or interest to you in: the Software Platform, our Confidential Information, our tools, programs, services, our brand, our trade-marks and intellectual property rights (including patent, copyright and trademarks - and derivative works produced therefrom), the coding and data of the Software Platform, any updates and changes to the Software Platform. You shall not modify, reproduce, sell, sublicense, distribute, transmit, transfer, reverse engineer, decompile, disassemble or otherwise divulge, directly or indirectly, by any means or any form, the Software Platform, or any portion thereof, without our prior written consent. You shall ensure that you and your Sales Representatives do nothing that violates our or the Third Party Providers' patent, trademark, copyright or other intellectual property rights.

b) If you become aware of an apparent breach of our patent, trademark, copyright or other intellectual property rights you shall promptly notify us of said breach. We shall take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any intellectual property.

c) You shall take all reasonable steps necessary to ensure that the Software Platform, or any portion thereof, are not made available or disclosed by you or your Sales Representatives to any other person. If you or your Sales Representatives breach this Section and if you or your Sales Representatives have not remedied the breach within thirty (30) days after written notice from us, we shall be entitled to terminate this Agreement by notice in writing given to you. Upon such termination, you shall deliver to us all material furnished to you pertaining to the Software Platform, and shall warrant in writing that all copies thereof have been returned to us or destroyed. You agree that in addition to all other remedies upon a breach of this Section, we shall be entitled to seek an injunction or other equitable relief against the continuance of such breach whether or not we have given you notice of the breach and whether or not the thirty (30) days have expired after notice is given.

d) You and your Sales Representatives are responsible to safeguard your login and password to the Software Platform. Damage to your data and the Software Platform may result if our password is cracked or breached. If you believe that your password or that of your Sales Representatives has been breached you must notify us immediately. We are not responsible for damages or lost data as a result of your failure to safeguard your password.

5. PLATFORM PARTICIPATION

a) You must assist us from time to time in executing necessary agreements or providing technical assistance in order for the Software Platform to function as designed. For example, we may require your assistance to integrate your Multiple Listing Service ("MLS") feed into the Software Platform.

b) You shall ensure that you and your Sales Representatives use the Software Platform in accordance with all applicable laws or regulations. We may, at our sole discretion, revoke your license or the license of your Sales Representatives if we have reason to believe there has been a violation of this agreement or any law or real estate code of ethics or if the Software Platform or Third Party Suppliers' programs have been damaged, compromised or used in a way contrary to their terms of use.

6. WARRANTIES

a) We do not warrant guarantee or make any representation regarding the content, currency, merchantability, reliability or fitness for a particular purpose of the information provided in the Software Platform. You are aware that the Software Platform may contain errors or inaccuracies.

b) As you are able to edit data, in no event will we be liable to you, your Sales Representatives, your customers and any third party for any direct, indirect, special, punitive, exemplary or consequential losses or damages whatsoever arising out of errors of inaccuracies in the data of information in the Software Platform.

c) As the programs and services within the Software Platform are provided by the Third Party Suppliers in no event will we be liable to you, your Sales Representatives, your customers and any third party for any reason whatsoever for any loss, including loss of profit, loss of business, loss of opportunity or the like whether in the contemplation of the parties, whether based on breach of contract, tort (including negligence), product liability, loss of data, down time, disruption or otherwise resulting from the use of the Software Platform.

d) We are not liable to you for any damage or alteration to your equipment including but not limited to computer equipment, handheld device or mobile telephones as a result of the use of the Software Platform.

7. INDEMNITY

You will indemnify, defend, and hold us harmless from any lawsuit or proceeding brought against us, our affiliates, and any of our respective officers, directors, employees and agents, based upon or otherwise arising out of any conduct by you or your Sales Representatives related to the use of Software Platform.

8. IMPROVEMENTS and DISRUPTIONS

Any improvements or modifications made by us of the Third Party Suppliers to the Software Platform shall be promptly provided to you and shall be automatically included in this Agreement. From time to time we or the Third Party Suppliers may requires scheduling downtime in order to perform maintenance on the Software Platform. We do not anticipate this downtime to be more than 10 hours per month but the length and frequency of downtime are out of our control. Problems with your local internet service provider, computer network, hardware or software are also out of our control and we are not responsible for any damages resulting from such problems.

9. TERMINATION.

a) This Agreement shall automatically terminate upon the expiration or termination of the Franchise Agreement. This Agreement will terminate if you have failed to pay your fees in accordance with Schedule A and failed to cure any breach of this Agreement after receiving thirty (30) days' notice from us.

b) Upon termination, all data, email addresses, images, contacts or information stored in the Software shall be deleted. We have no obligation to backup or retrieve your data.

10. POST-TERMINATION RIGHTS

Upon the expiration or termination of this Agreement, all rights granted to you under this Agreement shall forthwith terminate and immediately revert to us and you shall discontinue all use of the Software Platform.

11. GENERAL TERMS

a) **NOTICES:** Any notice required to be given pursuant to this Agreement shall be in writing and mailed by certified or registered mail, or delivered by a national overnight express service. Either party may change the address to which notice or payment is to be sent by written notice to the other party pursuant to the provisions of this paragraph.

b) **JURISDICTION AND DISPUTES:** This Agreement shall be governed by the laws of the State of California and all disputes hereunder shall be resolved in the applicable state or federal courts located in Orange County, California. The parties consent to the jurisdiction of such courts, agree to accept service of process by mail, and waive any jurisdictional or venue defenses otherwise available.

c) **AGREEMENT BINDING ON SUCCESSORS:** This Agreement shall be binding on and shall inure to the benefit of the parties hereto, and their heirs, administrators, successors, and assigns.

d) **WAIVER:** No waiver by either party of any default shall be deemed as a waiver of any prior or subsequent default of the same or other provisions of this Agreement.

e) **SEVERABILITY:** If any provision hereof is held invalid or unenforceable by a court of competent jurisdiction, such invalidity shall not affect the validity or operation of any other provision and such invalid provision shall be deemed to be severed from the Agreement.

f) **ASSIGNABILITY:** The license granted hereunder is personal to you and may not be assigned by you without our consent.

g) **INTEGRATION:** This Agreement constitutes the entire understanding of the parties, and revokes and supersedes all prior agreements between the parties and is intended as a final expression of their Agreement. It shall not be modified or amended except in writing signed by the parties hereto. This Agreement shall take precedence over any other documents that may be in conflict therewith.

h) **ACT OF GOD**: Neither party will be liable for failing or delaying performance of its obligations resulting from any condition beyond its reasonable control, including but not limited to, governmental action, acts of terrorism, earthquake, fire, flood or other acts of God, labor conditions, power failures, and Internet disturbances.

[*Signature page follows*]

[Signature Page to Computer Software Licensing Agreement]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have each caused to be affixed hereto its or his/her hand and seal the day indicated.

Realty World_____________________________________

Signature____ (I have authority to bind the company)

Print Name____

Date ____

Signature____ (I have authority to bind the company)

Print Name____

Date ____

Realty World Inc.

Signature____ (I have authority to bind the company)

Print Name____

Date ____

Schedule A

Fees and Payments

Monthly User Fee: Each month you, as the Brokerage / Broker of Record, shall pay us a Monthly User Fee in the amount of $64.99 and each Sales Representative registered with your office who elects to register to use the Software Platform shall pay us a Monthly User Fee in the amount of $39.99. At least 50% of the Sales Representatives registered with your office must register to use the Software Platform.

Payment Process: You and each Sales Representative registered with your Business shall register with the third-party payment processor of our choice. Each month, on the first day of the month your credit card will be charged $64.99 and each Sales Representative's credit card will be charged $39.99. The Sales Representative may elect to pay the payment processor via pre-authorized withdrawal from a bank account.

Payment Start Date: Payment of the Monthly User Fee shall begin on _____________. Thereafter, Monthly User Fees are due on the same day of the month that the service began. (For example, if the first Monthly User Fee was first collected on the 20th day of a month, then the Monthly User Fee will be due on the 20th day of all subsequent months. If the first Monthly User Fee was first collected on the 29th, 30th, or 31st day of a month, then the Monthly User Fee will be due on the last day of any month that doesn't have that many days.)

MLS and IDX Fees: You shall pay all MLS fees, IDX fees or any other third party or data fees necessary to make the Software Platform available to you and your Sales Representatives.

Fee Adjustment: The Third Party Suppliers may adjust the fees they charge to us. Therefore, we may adjust the Monthly User Fee we charge to you. You acknowledge and agree that the Monthly User Fee may be adjusted at our sole discretion at any time.

Franchise Fees: The Monthly User Fee and MLS and IDX fees are in addition to any other fees set out in the Franchise Agreement. For example, in the Franchise Agreement you are required to pay Royalty Fees, National Advertising and Promotional Fund Contributions, and Support Fees. Said fees are in addition to the fees payable under this Agreement.

GUARANTEE AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTEE AND ASSUMPTION OF OBLIGATIONS IS GIVEN THIS _____ day of _______ _______, by ______________________________ (the “Guarantor”).

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date (the “Agreement”) by **Realty World, Inc.** (the “Franchisor”), and ______________________ (“Franchisee”), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, for the term of the Agreement and as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right he may have to require that an action be brought against Franchisee or any other person as a condition of liability. Each of the undersigned consents and agrees that: (1) his direct and immediate liability under this guarantee shall be joint and several; (2) he shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guarantee, which shall be continuing and irrevocable during the term of the Agreement.

Each of the undersigned Guarantors represents and warrants that, if no signature appears below for such Guarantor’s spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

Guarantor hereby consents and agrees that:

(a) Guarantor’s liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and the other owners of Franchisee;

(b) Guarantor shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;

(c) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of the Agreement by a trustee of Franchisee. Neither the Guarantor’s obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

(d) Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee. Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and

(e) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

Guarantor agrees to be personally bound by the dispute resolution provisions under Section 17 of the Agreement, including, without limitation, the governing law provision of Section 17.G and the consent to jurisdiction provision of Section 17.H in accordance with their terms.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)	**PERCENTAGE OWNERSHIP IN FRANCHISEE**
______________________________	___________________________________
Print Name:____________________	
______________________________	___________________________________
Print Name:____________________	
______________________________	___________________________________
Print Name:____________________	
______________________________	___________________________________
Print Name:____________________	

The undersigned, as the spouse of the Guarantor indicated below, acknowledges and consents to the guarantee given herein by his/her spouse.

______________________________	______________________________
Name of Guarantor	Name of Guarantor
______________________________	______________________________
Name of Guarantor’s Spouse	Name of Guarantor’s Spouse
______________________________	______________________________
Signature of Guarantor’s Spouse	Signature of Guarantor’s Spouse
______________________________	______________________________
Name of Guarantor	Name of Guarantor
______________________________	______________________________
Name of Guarantor’s Spouse	Name of Guarantor’s Spouse
______________________________	______________________________
Signature of Guarantor’s Spouse	Signature of Guarantor’s Spouse

EXHIBIT B1

EXCLUSIVE TERRITORY ADDENDUM

REALTY WORLD, INC.

EXCLUSIVE TERRITORY ADDENDUM

This Exclusive Territory Addendum ("Addendum") ") is made and entered into as of the ____ day of ____________________, 20__ by and between **REALTY WORLD, INC**., a **Nevada** corporation with its principal business address at 1101 Dove Street, Suite 228, Newport Beach, CA 92660 ("we," "us," or "our"), and , whose principal business address is ("you" or "your").

1. **BACKGROUND.** Contemporaneously herewith, we and you have entered into a franchise agreement (the "Franchise Agreement") and this Addendum is intended to be part of the Franchise Agreement. All capitalized terms used but not defined in this Addendum have the meanings set forth in the Franchise Agreement. Except as provided in this Addendum, the Franchise Agreement remains in full force and effect as originally written. If there is any inconsistency between the Franchise Agreement and this Addendum, the terms of this Addendum will control.

2. **TERRITORY.** Section 1.E of the Franchise Agreement is hereby deleted and replaced with the following:

EXCLUSIVE TERRITORY AND RESERVATION OF RIGHTS. Provided you are in full compliance with this Agreement, neither we nor our affiliates will operate or grant a franchise for the operation of another **Realty World® Business** with an office located within the territory identified on Exhibit A attached hereto (the "Exclusive Territory"). However, you acknowledge and agree that we and our affiliates may grant franchises for commercial real estate brokerage businesses under the Marks located within the Exclusive Territory. You further acknowledge and agree that 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. Without limiting the foregoing, you must meet minimum Sales Representative Quota (as defined below) 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 this Agreement.

3. **INITIAL FEES.** Section 3.A of the Franchise Agreement is hereby deleted and replaced with the following:

You agree to pay us a nonrecurring and nonrefundable initial franchise fee of $_______ in the form we specify, which may include by bank check, cashier's check, wire transfer, or electronic funds transfer. The initial franchise fee is due, and fully earned by us, when you sign this Agreement.

IN WITNESS WHEREOF, the Franchisor and the Franchisee have duly executed and delivered this Addendum on this _______ day of __________________ 20___.

THIS ADDENDUM SHALL NOT BE EFFECTIVE UNTIL ACCEPTED BY US AS EVIDENCED BY DATING AND SIGNING BY EITHER ANDREW CIMERMAN, OUR PRESIDENT AND CHIEF EXECUTIVE, OR TWO OF OUR DULY AUTHORIZED OFFICERS OR REPRESENTATIVES.

REALTY WORLD, INC., a
Nevada corporation

By: ___________________________________ By: ___________________________________
Title: ________________________________ Title: ________________________________

DATED: ____________________________ **DATED: ____________________________**

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____

____

[Name]

By: ______________________________________

Title: ___________________________________

DATED: ______________________________

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):

____

[Signature]

____

[Print Name]

____

[Signature]

____

[Print Name]

____

[Signature]

____

[Print Name]

____

[Signature]

____

[Print Name]

DATED: ______________________________

EXHIBIT C

PROMISSORY NOTE

INITIAL FRANCHISE FEE PROMISSORY NOTE

Amount $____ Dated: _______________

FOR VALUABLE CONSIDERATION, the undersigned ______________ ("Maker") and __________ ("Co-Maker(s)") promise to pay to Realty World, Inc. or its successors and assigns ("Holder"), on _____________ at __________________, or at such other place as Holder may designate, in writing, the principal sum of ______________________ (the "Principal"), which amount shall, except as set forth below, bear no interest.

1. This Promissory Note ("Note") is made pursuant to that certain Realty World Franchise Agreement dated ______________ (the "Franchise Agreement") and entered into by and between Maker as "Franchisee" and Holder as "Franchisor". Principal only shall be payable as set forth in Section 10 hereof. In the event the Maker or Co-Maker(s) fail to make any payment when due, including any payment due upon acceleration of this Note, the entire outstanding Principal shall thereafter bear interest at rate equal to the lesser of eighteen percent (18%) per annum or the highest rate allowed by law from its due date until paid in full.

2. All payments shall be made in lawful money of the United States of America without set-off, offset, recoupment, deduction or counterclaim of any kind whatsoever. Payments, when made, shall first be applied to accrued and unpaid interest, if any, and then to Principal.

3. Maker acknowledges and agrees that amount of this Note (reflecting the Initial Franchise Fee due pursuant to the Franchise Agreement) is fully earned by Holder and non-refundable.

4. Maker may prepay the principal balance of this Note in full or in part at any time, with no prepayment penalty. No partial prepayment shall extend or postpone the due date of any subsequent installment payment or change the amount of the installment payment. Prepayments will be applied without notation on this Note.

5. Holder of this Note may determine that Maker and Co-Maker(s) are in default and may accelerate the unpaid Principal and all interest accrued thereon to be immediately due and payable, without presentment for payment or any notice or demand, (A) if Maker, Co-Maker(s), endorser, surety or guarantor of this Note (i) suspends business; (ii) becomes insolvent or offer settlement to any creditors; (iii) files a petition in bankruptcy, either voluntary or involuntary; (iv) institutes any proceeding under any bankruptcy or insolvency laws relating to the relief of debtors; (v) makes an assignment for the benefit of creditors; or (vi) makes any false statement or representation orally or in writing, fails to furnish information, or fails to permit inspection of any books or records on demand of Holder, (B) upon default in payment of any Principal payment due hereunder, (C) upon default, in Holder's sole opinion, or any other agreement or not between Maker and Holder. For the purposes of this Note, a party shall be in default of an agreement if such party shall have been given notice of such default in accordance with the terms of any such agreement, and, as to those defaults for which such party is afforded an opportunity to cure pursuant to such agreement, such party shall have failed to make such cure within the applicable period provided. Maker's and Co-Maker(s)'s obligation to pay the Principal and interest thereon, if accelerated shall be absolute and unconditional, and shall not be subject to any rights of set-off, offset or recoupment.

6. Maker and Co-Maker(s) agree(s) to pay all expenditures made in any attempt to collect any amounts due pursuant to this Note. Maker and Co-Maker(s) agree that any attorney-at-law or its attorney-in-fact may appear in any court of record situated in any County where the Maker and/or Co-Maker(s) then reside or in the County where Maker and/or Co-Maker signed this Note at any time after the debt evidenced shall become due, either at its stated maturity or by declaration, and waiving the issuing and service of process and confess judgment against the Maker and Co-Maker(s), jointly and severally, in favor of the Holder, for the amount then owning thereon, together with attorneys' fees and other legal costs and thereupon release(s) all errors and waive(s) all rights to appeal.

7. Maker, Co-Maker(s) and all endorsers or guarantors of this Note, and each of them, hereby waive, to the fullest extent permitted by law, diligence, demand, notice of demand, presentment for payment, notice of non-payment, notice of dishonor, protest and notice of protest and specifically consent to and waive notice of any renewals, extensions, amendments or modifications of this Note, whether made to or in favor of Maker or any other person or persons. Holder reserves the right to modify the terms of this Note, grant extensions, notations, renewals, releases, discharges, compositions and compromises with any party liable under this Note, with or without any notice to or the consent of, and without discharging or affecting the obligations of, any other party liable under this Note. The claiming of any statute of limitations as a defense to any demand against Maker, Co-Maker(s) or any endorser or guarantor is expressly waived by each and all of endorsers or guarantors of this Note.

8. This Note shall be construed and enforced in accordance with the laws of the State of California. The terms of this Note are confidential and will not be disclosed to any third party by Maker without the prior written consent of Holder, unless otherwise required by law.

9. This Note shall be joint and several obligation of Maker, Co-Maker(s), all guarantors and endorsers, if any, and shall be binding upon them and their heirs, executors, personal representatives, successors and assigns and shall inure to the benefit of Holder and its successors and assigns. This Note shall not be assignable by Maker or any Co-Maker without the prior written consent of Holder.

10. Repayment of the Principal shall be as follows:

    a. First Installment Payment: $_____________ payable on ____________, 20___.
    b. Second Installment Payment: $_____________ payable on ____________, 20___.
    c. Third Installment Payment: $_____________ payable on ____________, 20___.
    d. Fourth Installment Payment: $_____________ payable on ____________, 20___.
    e. Fifth Installment Payment: $_____________ payable on ____________, 20___.

(THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

IN WITNESS WHEREOF, the undersigned Maker and Co-Maker(s) have executed this Note as of the date first set above.

MAKERS AND GUARANTOR(S)

____
Signature

____
Print Name

MAKERS AND GUARANTOR(S)

____
Signature

____
Print Name

MAKERS AND GUARANTOR(S)

____
Signature

____
Print Name

EXHIBIT D

FINANCIAL STATEMENTS

REALTY WORLD, INC.
COMPARATIVE FINANCIAL STATEMENTS
MAY 31, 2018, 2017 AND 2016

REALTY WORLD, INC.

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Schonwit & Associates
Certified Public Accountants
151 Kalmus Drive, #M-3A, Costa Mesa, California 92626 (714) 437-1025, FAX (714) 437-5900

INDEPENDENT AUDITORS' REPORT

To the Shareholder
Realty World, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Realty World, Inc., which comprise the balance sheets as of May 31, 2018, 2017, and 2016, the related statements of revenues and expenses and stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Realty World, Inc. as of May 31, 2018, 2017, and 2016, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Prior Period Financial Statements

The financial statements of Realty World, Inc. as of May 31, 2017 and 2016 were audited by another auditor whose report dated September 7, 2017 expressed an unmodified opinion on those statements.

Schonwit & Associates

SCHONWIT & ASSOCIATES
Costa Mesa, California

August 8, 2018

REALTY WORLD, INC.
BALANCE SHEETS
AS OF MAY 31, 2018, 2017 AND 2016

ASSETS

	2018	2017	2016
Current Assets:			
Cash and cash equivalents [Note 4]	$ 108,336	$ 58,748	$ 94,882
Accounts receivable, less allowance for doubtful collection of $132,000 at 5/31/18, $130,348 at 5/31/17, and $71,268 at 5/31/16	46,935	74,055	29,550
Advances to stockholders	--	34,339	34,339
Deferred tax asset	--	--	48,911
Other current assets	5,044	1,025	850
Total Current Assets	160,315	168,167	208,532
Property and equipment, net of accumulated depreciation	1,208	-	10,438
Other Assets:			
Goodwill	39,400	39,400	39,400
Trademarks and copyrights	43,687	43,687	43,687
Deferred tax asset: non-current	47,780	42,802	-
Total Other Assets	130,867	125,889	83,087
Total Assets	$ 292,390	$ 294,056	$ 302,057

See independent auditor's report and accompanying notes to financial statements.

REALTY WORLD, INC.
BALANCE SHEETS
AS OF MAY 31, 2018, 2017 AND 2016

LIABILITIES AND SHAREHOLDER'S EQUITY

	2018	2017	2016
Current Liabilities:			
Accounts payable and accrued expenses	$ 26,941	$ 5,306	$ 9,991
Stockholder liability	6,325	-	-
Accrued vacation liability	7,884	7,884	--
Total Current Liabilities	41,150	13,190	9,991
Long Term Liabilities:			
Deferred tax liability, non-current portion	-	-	10,100
Total liabilities	41,150	13,190	20,091
Stockholder's Equity:			
Common stock, $.001 par value; 25,000 shares authorized, issued and outstanding at May 31, 2018 and 2017, respectivley	25	25	25
Additional paid in capital	199,975	199,975	199,975
Retained earnings	51,240	80,866	81,966
Total Shareholder's Equity	251,240	280,866	281,966
Total Liabilities and Stockholder's Equity	$ 292,390	$ 294,056	$ 302,057

See independent auditor's report and accompanying notes to financial statements.

REALTY WORLD, INC.
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEARS ENDED MAY 31, 2018, 2017, AND 2016

	2018	2017	2016
Revenue			
Franchise, broker network and advertising fees	$ 614,530	$ 534,646	$ 506,384
Other income	5,155	-	-
Total Revenue	619,685	534,646	506,384
Operating Expenses			
General, administrative, and advertising	655,830	547,689	582,689
Impairment loss	--	8,650	240
Total Operating Expenses	655,830	556,339	582,929
Loss from Operations	(36,145)	(21,693)	(76,545)
Other Income (Expense)			
Interest income	22	3	18
Franchise settlement	--	20,000	35,000
Other income	--	10	1,174
Depreciation	(292)	--	--
Total Other Income (Loss)	(270)	20,013	36,192
Loss Before Income Tax Benefit (Provision)	$ (36,415)	$ (1,680)	$ (40,353)
Income Tax Benefit (Provision)	6,789	580	(800)
Net Income (Loss)	$ (29,626)	$ (1,100)	$ (41,153)

See independent auditor's report and accompanying notes to financial statements.

REALTY WORLD, INC.
STATEMENT OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED MAY 31, 2018, 2017, AND 2016

	Common Stock			
	Number of Shares	$.01 Par Value	Additional Paid-In Capital	Retained Earnings
Balance-May 31, 2015	25,000	$ 25	$ 199,975	$ 123,119
Net loss	--	-	-	(41,153)
Balance, May 31, 2016	25,000	$ 25	$ 199,975	$ 81,966
Net loss	--	-	-	(1,100)
Balance, May 31, 2017	25,000	$ 25	$ 199,975	$ 80,866
Net loss	--	-	-	(29,626)
Balance, May 31, 2018	25,000	$ 25	$ 199,975	$ 51,240

See independent auditor's report and accompanying notes to financial statements

REALTY WORLD, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2018, 2017, AND 2016

	2018	2017	2016
Cash flows from operating activities			
Net income (loss)	$ (29,626)	$ (1,100)	$ (41,153)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities			
Allowance for doubtful accounts	1,652	51,280	61,740
Depreciation and amortization	292	1,788	1,847
Loss on abandoned assets	-	8,650	-
Changes in assets and liabilities (increases) decreases in:			
Accounts receivable	25,468	(95,785)	(48,588)
Franchise licensing fees receivable	-	-	6,500
Receivable from related party	34,339	-	(34,339)
Deferred tax asset	(4,978)	6,109	(2,911)
Deposit	-	-	6,500
Other assets	(4,019)	(175)	3,090
Increases (decreases) in:			
Accounts payable and accrued expenses	21,635	3,199	(20,523)
Payable to related party	6,325	-	-
Deferred tax liability	-	(10,100)	300
Total adjustments	80,714	(35,034)	(26,384)
Net cash provided by (used in) operating activities	51,088	(36,134)	(67,537)
Cash Flows From Financing Activities:			
Principal payments on capital lease obligation	-	-	(1,042)
Cash Flows From Investing Activities:			
Acquistion of equipment	(1,500)	-	-
Net increase (decrease) in cash	49,588	(36,134)	(68,579)
Cash, Beginning of Year	58,748	94,882	163,461
Cash, End of Year	$ 108,336	$ 58,748	$ 94,882
Supplemental Disclosure			
Cash payments for income taxes	$ 800	$ 3,402	$ 7,036

See independent auditor's report and accompanying notes to financial statements.

NOTE 1. ORGANIZATION

Realty World, Inc. (the Company) was incorporated in June 1997 under the laws of the state of Nevada (originally incorporated under the name AC Capital, Inc. but then changed to Realty World America, Inc. in September 1997, and finally changed to Realty World, Inc. in March 2006). The Company is a real estate franchisor and licensor of real estate brokerage offices and provides operational and administrative services to its franchisees. The Company also licenses real estate brokerage businesses under the name Realty World Broker Network (the Network) to use trademarks and service marks and to participate in the Network's ancillary programs.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Accounting - The books and records for the Company are maintained on the accrual basis of accounting while the tax returns are maintained on the cash basis of accounting.

(b) Capitalization Policy and Depreciation – Property and equipment are recorded at their original cost and are depreciated over their estimated useful lives generally ranging from 3-15 years using the straight-line method of depreciation. Expenditures for maintenance and repairs of equipment are charged to expense as incurred. For the year ended May 31, 2018, the Company capitalized leasehold improvements totaling $2,570.

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

(d) Revenue – The Company's revenue is derived primarily from franchise fees, royalties and licensing fees under the Network. Income from initial franchise and broker network licensing fees are recorded on the date of the franchise or broker network contract agreement. Licensing fees, advertising fees, and royalty income are recognized when earned.

Included in revenue are the following franchise fees:

	For the Year Ended May 31,		
	2018	2017	2016
Initial Franchise Fees	$ 26,068	$71,734	$23,210

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue (continued)

Franchise Activity:

The following summarizes the franchise activity for the respective years:

	For the Year Ended May 31,		
	2018	2017	2016
Total Number of Franchises Sold	5	12	5
Total Number of Franchise in Operation	93	74*	71*

*This balance has been adjusted by the Company to reflect correct amounts.

There are approximately 152 additional offices operating under the Realty World trade name and trademark domestically in the United States.

(e) Accounts Receivable – The Company utilizes the allowance method of accounting for losses from uncollectible receivables. Under this method, an allowance is provided based upon historical experience and management's evaluation (for likelihood of collection) of the outstanding receivables at the end of each fiscal year. Accordingly, an allowance for doubtful collection of $143,000 has been established as of May 31, 2018.

(f) Goodwill and Other Intangibles- Goodwill represents the excess of cost of the assets acquired over their fair value at the date of acquisition. The Company's management has determined that trademarks, copyrights, and regional franchise rights have an indefinite useful life. The Company tests these intangible assets for impairment on an annual basis based on their fair value. Management has determined that there has been no impairment in value for the years ended May 31, 2018, 2017, or 2016.

(g) Advertising Costs- The Company expenses advertising costs when incurred. Advertising costs charged to operations totaled $19,684, $24,552, and $24,926 for the years ended May 31, 2018, 2017, and 2016, respectively.

(h) Subsequent Events – Subsequent events have been evaluated through August 8, 2018, which is the date the financial statements were available to be issued.

(i) Reclassification – Certain reclassifications, which have no effect on net loss, have been made to the 2016 financial statements to conform to the current presentation.

NOTE 3. INCOME TAXES

The Company utilizes the liability method of accounting for income taxes. Under the liability method deferred income tax assets and liabilities are provided based on the difference between the financial statements and tax basis of assets and liabilities measured by the currently enacted tax rates in effect for the years in which these differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The components of deferred tax assets and liabilities are classified as current and non-current based upon their characteristics. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations.

In 2015 the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740)-Balance Sheet Classification of Deferred Taxes," which requires companies to report their deferred tax liabilities and deferred tax assets together as a single non-current item on their classified balance sheets. The Company elected to adopt ASU No. 2015-17 early and applied it prospectively as allowed by the standard. As such, prior periods presented were not retrospectively adjusted.

The Association has adopted accounting standards for the accounting for uncertainty in income taxes. These standards provide guidance for the accounting and disclosure about uncertain tax positions taken by an association. Management believes that all of the positions taken by the Association in its federal and state income tax returns are more likely than not to be sustained upon examination. The Association's tax returns are subject to examination by the Internal Revenue Service and California Franchise Tax Board generally for three and four years, respectively, after they are filed.

NOTE 4. LEASES/RENT

The Company maintains several operating leases, as follows:

The Company leases a residence to be used by the Company's sole shareholder, staff, franchisees and other interested parties of the Company where the Company can benefit from such use. Monthly base rent under this lease amounted to $1,785 for the year ended May 31, 2018.

The Company leases office space through an annual agreement with a related company under common ownership. The monthly rate was $1,183 from June through December 2017, and then $1,207 per month for the remainder of the fiscal year.

Rent expense totaled $36,115 for the year.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at May 31, 2018, 2017, and 2016:

	For the Year Ended May 31,		
	2018	2017	2016
Furniture	$ 37,784	$ 37,784	$ 37,784
Equipment	79,392	77,892	77,892
Leasehold improvements	-	-	30,442
Total property and equipment			
Less accumulated depreciation and amortization	(116,139)	(115,676)	(135,680)
Net property and equipment	$ 1,037	$ -	$ 10,438

NOTE 6. RELATED PARTY TRANSACTIONS

The Company owes the sole shareholder $6,325 representing the excess of advances for costs paid by the Company for the benefit of the shareholder.

NOTE 7. CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at several financial institutions located in California. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Company's cash balances were fully insured at May 31, 2018. Additionally, the Company does not have any one specific customer that would be considered to represent a concentration risk.

NOTE 8. FRANCHISE AGREEMENTS

During the years ended May 31, 2017 and 2016 the Company entered into settlement agreements with former franchisees regarding a dispute of fees and other expenses owed under the respective franchise agreements. The Company entered into settlement agreements whereby they did receive $20,000 in 2017 and $35,000 in 2016.

NOTE 9. LEGAL MATTERS

In 2016 the Company filed a lawsuit in Federal Court against NextHome Inc, assignee of Realty World Northern California, its CEO, and unnamed parties, regarding trademark infringement and breach of the Master License Agreement, breach of implied covenant of good faith and fair dealing, trademark infringement and counterfeiting (under 15 U.S.C code section 1114), false designation of origin (under 15 U.S.C section 1125(a), intentional interference with contract, intentional interferences with prospective economic advantage, declaratory relief, and violation of California Business and Professions Code. In November 2016 the Respondents filed an answer and counterclaims regarding various counterclaims.

During the year the parties resolved their dispute and entered into a Settlement Agreement effective February 1, 2018, whereby, along with various other provisions of the Settlement, NextHome, Inc., for a one-time purchase of $1,000, will depart the Realty World system by selling and forever assigning to the Company its rights and obligations under the master license agreement and certain franchise agreements between NextHome and Realty World franchises.

NOTE 10. INCOME TAXES

The components of the income tax benefit (expense) for the years ended May 31, 2017, 2016, and 2015 consist of the following:

	2018	2017	2016
Deferred tax asset: federal	$ (358)	$ (30,600)	$ 11,400
Deferred tax asset: state	(8,804)	(380)	3,000
Deferred tax liability: federal	(3,445)	23,600	(10,600)
Deferred tax liability: state	5,818	6,800	(3,000)
Income tax provision (benefit)	$ (6,789)	$ (580)	$ 800

The net deferred tax assets (liabilities) in the accompanying balance sheet include the following components:

	2018	2017	2016
Deferred Tax Asset:			
Federal	$ 67,647	$69,900	$39,300
State	30,206	21,402	17,611
Deferred Tax Liability:			
Federal	$ (34,255)	$(37,700)	$ (14,100)
State	(15,818)	(10,800)	(4,000)
Net Deferred Tax Asset (Liability)	$ 47,780	$ 42,802	$ 38,811

EXHIBIT E

LIST OF CURRENT FRANCHISEES

Business Name	Address	City	State	Zip Code	Office Phone
Realty World Beverly Hills	468 N. Camden Drive	Beverly Hills	CA	90210	(310) 285-1741
Realty World Cares #2	5120 Robinwood Street, Ste C-21	Bonita	CA	91902	(619) 791-1000
Realty World First Choice	3 Point Drive #214	Brea	CA	92821	(714) 256-1101
Realty World Main Street	835 N. Main Street Ste. D	Corona	CA	92880	(951) 735-9900
Realty World CentrePoint Beach Cities LLC	3151 Airway Ave	Costa Mesa	CA	92626	(949) 200-5049
Realty World Allensworth	10803 Lakewood	Downey	CA	90241	(562) 923-8879
Realty World Capero	10927 La Reina	Downey	CA	90241	(562) 231-3700
Realty World Coachella Valley	81953 Hwy 111 Ste 6	Indio	CA	92201	(760) 347-3303
Realty World Diversified	615 Trafalgar Ave.	La puente	CA	91744	562-846-0253
Realty World Prestige	206 N. 1 Street	La Puente	CA	91744	(562) 639-9173
Realty World Antelope Valley	44039 27th Street West	Lancaster	CA	93536	661-998-6224
Realty World California Properties, Inc. #1	3124 W. Beverly Blvd	Montebello	CA	90640	(323) 728-4200
Realty World Lone Star Brokers	2447 W. Beverly Boulevard	Montebello	CA	90640	(323) 838-4444
Realty World HomeCares	1625 Sweetwater, Suite A	National City	CA	91950	(619) 791-1000
Realty World Marquee	1000 Quail Suite 200	Newport Beach	CA	92660	(949) 536-5095
Realty World of Newport Beach	1101 Dove Street	Newport Beach	CA	92660	(714) 876-6295
Realty World Golden Era	1701 North Lombard St Ste 104	Oxnard	CA	93030	(805) 465-2006
Realty World Desert Cities	453 E Tahquitz Canyon Way	Palm Springs	CA	92262	(760) 327-8402
Realty World All Stars	9520 19th St	Rancho Cucamonga	CA	91737	(909) 942-3003
Realty World Diamond	9045 Haven Ave, Suite 106	Rancho Cucamonga	CA	91730	(909) 684-4403
Realty World Infinity Properties	490 Alabama Street #101	Redlands	CA	92373	909-910-5559
Realty World Premier	1652 Plum Lane Ste 102	Redlands	CA	92374	(909) 748-5000
Realty World My San Diego Real Estate	2667 Camino Del Rio South Plaza 1c	San Diego	CA	92108	(858) 345-4966
Realty World Legends	28001 Smyth Dr. Suite 105	Valencia	CA	91355	(661) 799-9400
Realty World RHB Properties and Associates	2945 Townsgate Rd	Westlake Village	CA	91361	(866) 684-6647
Realty World Extraordinaire	13525 Telegraph Rd., Ste A	Whittier	CA	90605	(562) 946-1354
Realty World Hometown	965 Hopmeadow Street	Simsbury	CT	06070	(860) 658-8000
Realty World FDR Realty Group	20925 Lyons Rd.	Boca Raton	FL	33428	(754) 235-7588
Realty World J.Pavich Real Estate 2 - Cape Coral	3013 Del Prado Boulevard #5-6	Cape Coral	FL	33904	(239) 540-3625
Realty World New Castle Realty	12181 Sheridan Street	Cooper City	FL	33026	(954) 431-5311
Realty World South Florida - Coral Springs	5491 North University Drive Ste: 204	Coral Springs	FL	33065	(954) 282-6350
Realty World First Global Realty	12401 Orange Drive, Suite 100A	Davie	FL	33330	(954) 539-2004
Realty World South Florida - Doral Center	3105 NW 107th Ave, Suite 502	Doral	FL	33172	(786) 237-0797
Realty World J.Pavich Real Estate 1 - Estero	21301 S. Tamiami Tr. #340	Estero	FL	33928	(239) 495-9968
Realty World Executive Group	3521 U.S. Hwy 17 Ste B	Fleming Island	FL	32003	(904) 215-5712
Realty World South Florida - Fort Lauderdale	2734 E Oakland Park Blvd #201	Ft Lauderdale	FL	33306	(954) 880-2550
Realty World Freewheeler Realty #1	85992 Overseas Hwy	Islamorada	FL	33036	(305) 664-4444
Realty World Freewheeler Realty #2	98500 Overseas Hwy	Key Largo	FL	33037	(305) 852-4400
Realty World C. Bagans First	30 Colorado RD	Lehigh Acres	FL	33936	(239) 369-5841
Realty World Atlas	465 S. Orlando Avenue; Suite 106	Maitland	FL	32751	(855) 728-5342
Realty World J.Pavich Real Estate 3 - Matlacha	4566 Pine Island Road	Matlacha	FL	33993	(239) 283-1003
Realty World Elite Properties	5600 SW 135 Ave Suite 101	Miami	FL	33183	305-455-1132
Realty World Executive Homes	12498 SW 127th Ave	Miami	FL	33186	(305) 251-4044

Business Name	Address	City	State	Zip Code	Office Phone
Realty World M Realty Group	10631 N. Kendall Drive; Suite 155	Miami	FL	33176	(305) 396-9003
Realty World South Florida - Kendall	9995 SW 72nd Street, Suite 209	Miami	FL	33173	(305) 595-6804
Realty World Top Producers Realty, Inc. (Naples)	590 11th Street South	Naples	FL	34102	(239) 430-1700
Ocala Realty World	2709 Sw 27th Ave, Ste 103	Ocala	FL	34471	(352) 789-6746
Realty World M Realty Group - Pinecrest	8603 South Dixie Highway; Suite 220	Pinecrest	FL	33143	(305) 735-6956
Realty World Treasure Coast	1660 NW Federal Highway	Stuart	FL	34994	(772) 212-2761
Realty World South Florida - Weston	2883 Executive Park Dr #201	Weston	FL	33331	(954) 332-7121
Realty World Horner West Real Estate, Inc.	618 E. Main St P.O. Box 271	Weiser	ID	83672	(208) 549-1162
Realty World Tiffany Real Estate	549 Lake Street	Antioch	IL	60002	(847) 395-1010
Realty World Indy	600 E Carmel Dr, Suite 162	Carmel	IN	46032	(317) 509-3688
Realty World Harbert Company	1298 West Main Street	Greenwood	IN	46142	(317) 885-8858
Realty World Turtle Creek Realty	4000 E. Southport Road	Indianapolis	IN	46237	(317) 783-0783
Realty World Adams & Associates #1	632 Chesnut Street	Berea	KY	40403	(859) 623-1900
Realty World Adams & Associates #2	1043 Center Drive	Richmond	KY	40475	(859) 623-1900
Realty World Dowell and Associates	23 Eury Lane	Somerset	KY	42501	(606) 219-4845
Realty World Related Realty Group	3 Roche Bros Way Unit A	North Easton	MA	02356	(508) 238-2417
Realty World Team One Properties	5865 Allentown Road	Camp Springs	MD	20746	(240) 508-0597
Realty World Home Centre	2710 Mountain Road Ste# 205	Pasadena	MD	21122	(410) 439-0999
Realty World Preferred Properties	2670 Crain Highway Suite 411	Waldorf	MD	20601	301-870-8555
Realty World Marketplace	One Page Avenue, STE 109	Asheville	NC	28801	(828) 251-2900
Realty World First Coast Realty I	407 Atlantic Beach Causeway	Atlantic Beach	NC	28512	(252) 247-0077
Realty World DeSoto Trail	PO Box 1026	Franklin	NC	28744	(828) 524-8488
Realty World Lever & Russell	106 Regency Blvd	Greenville	NC	27834	(252) 551-2111
Realty World Diane Cline & Associates	1858 Tansie Lane	Hickory	NC	28602	(828) 327-7070
Realty World Southland	166 Center Street	Jacksonville	NC	28546	(910) 330-7976
Realty World Today	825 Gum Branch Rd., Suite 112	Jacksonville	NC	28540	(910) 455-3200
Realty World Graham/Grubbs & Associates	112 West Blvd.	Laurinburg	NC	28352	(910) 276-1021
Realty World Bollinger & Associates	2180 Connelly Springs Road	Lenoir	NC	28645	(828) 572-1235
Realty World J. E. Womble & Sons	300 N. 10th Street	Lillington	NC	28751	(910) 893-2289
Realty World Carolina Properties	73 Hillsboro	Pittsboro	NC	27312	(919) 545-9911
Realty World Carolina Properties II	1010 Chapel Ridge Dr.	Pittsboro	NC	27312	(919) 704-8733
Realty World Triangle Living	1857 Torrington St	Raleigh	NC	27615	(919) 215-3263
Realty World Thomas Realty	1914 Fayetteville Road	Rockingham	NC	28379	(910) 997-6222
Realty World Chatham Properties	606 E. Third Street	Siler City	NC	27344	(919) 742-9911
Realty World Properties of the Pines	780 NW Broad St_ Suite 600	Southern Pines	NC	28387	(910) 725-1137
Realty World Swansboro Properties	672 W. Corbett Ave / P.O. Box 1001	Swansboro	NC	28460	(910) 326-2400
Realty World Signature Properties	7328 Hasentree Club Drive	Wake Forest	NC	27587	(919) 307-7807
Realty World America Agency, Inc.	1604 Route 27	Edison	NJ	08817	(732) 985-7894
Realty World Leonello	7578 Fredle Drive	Concord	OH	44077	(440) 867-2244
Realty World Commercial Global Ohio	3972 Brown Park	Hilliard	OH	43026	(614) 450-2510
Realty World Real Estate Stars	3972 Brown Park	Hilliard	OH	43026	(614) 686-4400
Realty World Experience	117 W. Main Street, Suite 109	Lancaster	OH	43130	(614) 813-0605
Realty World of The Upstate	109 Commons Way	Greenville	SC	29611	(864) 236-8340

Business Name	Address	City	State	Zip Code	Office Phone
Realty World Professionals	709 FM 1187 N; Suite 200	Aledo	TX	76008	(817) 441-7707
Realty World Memorial	9219 Katy Freeway, Suite 298	Houston	TX	77024	(713) 492-2317
Realty World Presidential	5625 Cypress Creek Parkway	Houston	TX	77069	(281) 440-7444
Realty World Uptown	6807 Housman St.	Houston	TX	77055	(713) 936-0779
Realty World Cosser & Associates	282 SW 13th St	Chehalis	WA	98532	(360) 345-1006
Realty World Performance Network	6009 VISTA DR P O BOX 125	Ferndale	WA	98248	(360) 384-3088
Realty World Greater Green Bay	3000 Riverside Dr., Ste 140	Green Bay	WI	54301	(920) 371-7269

EXHIBIT F

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

Business Name	City	State	Office Phone
Realty World Estates	Valencia	CA	(661) 794-7247
Realty World Signature Properties	Uncasville	CT	(860) 447-8839
Realty World Platinum Group	Everett	MA	(617) 387-9898
Realty World Forest Realty	Saugus	MA	(781) 233-3190
Realty World First Coast VIII	Atlantic	NC	(252) 728-6455
Realty World Heritage Realty	Maggie Valley	NC	(828) 926-5200
Realty World Yadkin Valley	Mount Airy	NC	(336) 786-1900
Realty World Desert Homes	Henderson	NV	(702) 566-6781

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

EXHIBIT G

OPERATIONS MANUAL TABLE OF CONTENTS

FRANCHISE MEMBER OPERATIONS MANUAL
Table of Contents

EXHIBIT H

DISCLOSURE ACKNOWLEDGMENT STATEMENT

DISCLOSURE ACKNOWLEDGMENT STATEMENT

Realty World, Inc. ("Realty World"), through the use of this Disclosure Acknowledgment Statement, desires to determine that you fully understand and comprehend that the purchase of a Realty World Franchise to operate as a Realty World real estate brokerage business (a "Realty World Franchise") is a business decision involving the evaluation of its associated risks and that Realty World's policy is to verify and confirm that in making your decision you are not relying upon any oral statement, representations, promises or assurances made during the negotiations for the purchase of a Realty World Franchise by any director, officer, employee, agent or representative of Realty World (collectively "Representative") which are not specifically set forth in Realty World's then–current "Franchise Disclosure Document", including all of the exhibits attached to it (the "FDD").

The following representations have been prepared by Realty World in an effort to ensure that you have a complete and accurate understanding of duties, responsibilities and obligations of a Realty World Franchisee prior to the execution of the Franchise Agreement:

1. You acknowledge receipt of the FDD on _________________________. You further acknowledge that you have personally and carefully reviewed the FDD, that you understand all of the information in the FDD and that you have been advised by a Representative to have professional advisors of your own, including legal counsel, to review the FDD and consult with you regarding the risks associated with the purchase and operation of a Realty World Franchise.

2. You acknowledge that you have made your own independent determination as to whether you have the capital necessary to fund a Realty World Franchise operation.

3. You recognize and understand that the business risk, which exists in connection with the purchase of any business make the success or failure of a Realty World Franchise subject to many variables, including, but not limited to, your skills and abilities, the hours you work, competition from other businesses, interest rates, the economy, inflation, store location, operation costs, lease terms and costs, the market place and other economic and other business factors. You acknowledge your willingness to undertake these business risks and it is your responsibility to manage your franchise business. You understand that the success or failure of your franchise operation depends primarily upon your efforts and not that of Realty World.

4. You acknowledge and agree that your decision to purchase a Realty World Franchise is in no manner predicated upon any representations, assurances, warranties, guarantees or promises made by a Representative as to the likelihood of success of a Realty World Franchise. You further acknowledge that you have not received any information from a Representative concerning actual, average, projected or forecasted franchise sales, gross receipts, operating costs, revenues, income, profits or earnings, except as follows (if no exceptions, write "None"):

____

____

____

____

5. You acknowledge that no statement, promise or assurance has been made to you by a Representative concerning the likelihood of success you should or might expect to achieve from developing and operating a Realty World Franchise that is contrary to, or different from, the information contained in the FDD. If you believe that such a statement, promise or assurance has been made, please describe such statement, promise or assurance in the space provided below or write "None".

____

____

____

____

6. You acknowledge that no statement, promise or assurance has been made to you by a Representative concerning the advertising, marketing, training, support services or assistance that Realty World will furnish you that is contrary to, or different from, the information contained in the FDD. If you believe that such a statement, promise or assurance has been made, please describe such statement or promise in the space provided below or write “None”.

____

____

____

____

7. You acknowledge that no other statement, promise or assurance has been made to you by a Representative concerning any other matter related to a Realty World Franchise that is contrary to, or different from, the information contained in the FDD. If you believe that such a statement, promise or assurance has been made, please describe such statement, promise or assurance in the space provided below or write “None”.

____

____

If the Realty World Franchise that you will purchase is located in Maryland or if you are a resident of Maryland, the following will apply:

> The representations made in this Disclosure Acknowledgment Statement are not intended to, nor shall they act as a release, estoppels, or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

PROSPECTIVE FRANCHISEE: (Individual)

____
Name

____
Signature

Date: ______________________________

PROSPECTIVE FRANCHISEE:

(Corporation, Partnership or Limited Liability Company)

a/an ______________________________ corporation
a/an ______________________________ partnership
a/an_______________________________ limited liability company

____
By: ______________________________
Its: ______________________________

Date: ______________________________

EXHIBIT I

SAMPLE GENERAL RELEASE

REALTY WORLD, INC.

GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

Realty World, Inc. ("we," "us," or "our"), and the undersigned franchisee, __________________ ____ ("you" or "your"), currently are parties to a certain Franchise Agreement (the "Franchise Agreement") dated _____________________, 20___. You have asked us to take the following action or to agree to the following request: [insert as appropriate for renewal situation]________________________________ ____ ____ ____ ____ _______. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and, if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, owners, directors, officers, principals, employees, and affiliated entities (collectively, the "Releasing Parties"), hereby forever release and discharge us and our current and former officers, directors, owners, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the "Realty World Parties") from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, "Claims") that you and any of the other Releasing Parties now has, ever had, or, but for this document, hereafter would or could have against any of the Realty World Parties, including without limitation, Claims (1) arising out of or related to the Realty World Parties' obligations under the Franchise Agreement or (2) otherwise arising from or related to your and the other Releasing Parties' relationship, from the beginning of time to the date of your signature below, with any of the Realty World Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the Realty World Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity who is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your owners likewise grant to us the release and covenant not to sue provided above.

IF THE BUSINESS YOU OPERATE UNDER THE FRANCHISE AGREEMENT IS LOCATED IN CALIFORNIA OR IF YOU ARE A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY YOU OR THE RELEASING PARTIES. YOU RECOGNIZE THAT YOU OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE REALTY WORLD PARTIES OF WHICH YOU, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH YOU, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE YOU, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT YOU, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE REALTY WORLD PARTIES. IN FURTHERANCE OF THIS INTENTION, YOU, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

YOU ACKNOWLEDGE AND REPRESENT THAT YOU HAVE CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT YOU UNDERSTAND ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENT THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

If the Business is located in Maryland or if you are a resident of Maryland, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this release on the date stated on the first page hereof.

REALTY WORLD, INC.

Print Name:_______________________________________

Title:____

By:____ Date:_______________________________

FRANCHISEE

____

Print Name:_______________________________________

Title:____

By:____ Date:_______________________________

FRANCHISEE OWNER

Print Name:_______________________________________

Title:____

By:____ Date:_______________________________

Print Name:_______________________________________

Title:____

By:____ Date:_______________________________

EXHIBIT J

STATE ADDENDA AND AGREEMENT RIDERS

ADDITIONAL DISCLOSURES FOR THE FRANCHISE DISCLOSURE DOCUMENT OF REALTY WORLD, INC.

The following are additional disclosures for the Franchise Disclosure Document of Realty World, Inc. required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

CALIFORNIA

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

3. OUR WEBSITE, www.realtyworld.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

4. The following is added at the end of Item 3:

Neither we, our parent, predecessor or affiliates nor any person in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a et seq., suspending or expelling such persons from membership in that association or exchange.

5. The following paragraphs are added at the end of Item 17:

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

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

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

The Franchise Agreement require you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

a. Unless you sign the Exclusive Territory Addendum, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

b. You must meet minimum Sales Representative quotas to maintain your rights to the Exclusive Territory under the Exclusive Territory Addendum.

ILLINOIS

The following paragraphs are added to the end of Item 17:

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

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

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

MARYLAND

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

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

2. The following is added to the end of the "Summary" section of Item 17(h), entitled "'Cause' defined – non-curable defaults":

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following sentence is added to the end of the "Summary" sections of Item 17(v), entitled "Choice of forum":

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

4. The following language is added to the end of the chart in Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

MINNESOTA

1. Trademarks. The following sentence is added to the end of Item 13:

Provided you have complied with all provisions of the Franchise Agreement applicable to the Marks, we will protect your rights to use the Marks and we also will indemnify you from any loss, costs or expenses from any claims, suits or demands regarding your use of the Marks in accordance with Minn. Stat. Sec. 80C.12 Subd. 1(g).

2. Renewal, Termination, Transfer and Dispute Resolution. The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400(J) might prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure

Document or Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulation or provision in the Franchise Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.

Any release required as a condition of renewal, sale and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

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

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

Except as provided above, with regard to us, our parent, affiliates, the persons identified in Item 2, or an affiliate offering franchises under our principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust, or securities law; fraud; embezzlement; fraudulent conversion; misappropriation of property; unfair or deceptive practices; or comparable civil or misdemeanor allegations.

B. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

C. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

No person identified in Item 1, and no officer or general partner of franchisor, or any other individual who will have management responsibility relating to the sale or operation of franchises offered by this Disclosure Document have, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the U.S. Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

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

> However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of New York State and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

5. The following is added to the end of the “Summary” section of Item 17(j), entitled “Assignment of contract by franchisor”:

> However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement.

6. The following is added to the end of the “Summary” section of Item 17(t), entitled “Integration/merger clause”:

> Any representations or promises outside the Disclosure Document may not be enforceable

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

> However, the governing choice of law and choice of forum shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York.

NORTH DAKOTA

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

> However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. The following is added to the end of the "Summary" section of Item 17(r), entitled "Non-competition covenants after the franchise is terminated or expires":

> Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we and you will enforce the covenants to the maximum extent the law allows.

3. The following is added to the end of the "Summary" section of Item 17(t), entitled "Integration/merger clause":

> Any representations or promises outside the Disclosure Document may not be enforceable

4. The "Summary" section of Item 17(v), entitled "Choice of forum" is deleted and replaced with the following:

> You must sue us in courts nearest our then-current principal place of business (currently, Newport Beach, California), except that to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

5. The "Summary" section of Item 17(w), entitled "Choice of law" is deleted and replaced with the following:

> Except as otherwise required by North Dakota law, the laws of the state in which your business is located will apply without regard to its conflict of laws rules, except that any state law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this paragraph.

<u>RHODE ISLAND</u>

1. The following language is added to the end of the "Summary" sections of Item 17(v), entitled "Choice of forum" and 17(w), entitled "Choice of law":

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

VIRGINIA

1. The following language is added to the end of the "Summary" section of Item 17(e), entitled "Termination by franchisor without cause":

> Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

WASHINGTON

1. The following paragraph is added at the end of Item 17:

> If any of the provisions in this Franchise Disclosure Document or Franchise Agreement are inconsistent with the relationship provisions of Revised Code of Washington Section 19.100.180 or any other requirements of the Washington Franchise Investment Protection Act (the "Act"), the provisions of the Act will prevail over the inconsistent terms of the Franchise Disclosure Document or Franchise Agreement.

THE FOLLOWING PAGES IN THIS EXHIBIT ARE STATE-SPECIFIC RIDERS TO THE FRANCHISE AGREEMENT

RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS

THIS RIDER is made and entered into by and between **REALTY WORLD, INC.** , a Nevada corporation with our principal business address at 1101 Dove Street, Suite 228, Newport Beach, California 92660 ("we") and ____ a(n) _________________________________, having its principal business address at ____ ("you").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated ___________________________, 20___ (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the real estate brokerage business that you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

2. **ILLINOIS LAW**. The following paragraphs are added to the end of the Franchise Agreement and supersede any conflicting provisions in the Franchise Agreement:

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

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

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

REALTY WORLD INC.,
a Nevada corporation

By:________________________________
Andrew Cimerman, CEO

DATED:__________________________

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____

____
[Name]

By:____________________________

Title:__________________________

DATED:______________________

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

DATED:______________________

RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN MARYLAND

THIS RIDER is made and entered into by and between **REALTY WORLD, INC.** , a Nevada corporation with our principal business address at 1101 Dove Street, Suite 228, Newport Beach, California 92660 ("we") and ____ a(n) _________________________________, having its principal business address at ____ ("you").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated ___________________________, 20___ (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Maryland, and/or (b) the real estate brokerage business that you will operate under the Franchise Agreement will be located in Maryland.

2. **RELEASES.** The following is added to the end of Sections 13.C ("Agreement/Releases"), 12.C ("Transfer – By You"), and 12.D ("Transfer To A Wholly-Owned Corporation Or Limited Liability Company") of the Franchise Agreement:

> However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

3. **INSOLVENCY**. The following sentence is added to the end of Section 14. (18) ("Termination of Agreement") of the Franchise Agreement:

> Clause 14. (18) may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

4. **CONSENT TO JURISDICTION**. The following sentence is added to the end of Section 17.H ("Consent to Jurisdiction") of the Franchise Agreement:

> You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. **LIMITATIONS OF CLAIMS**. The following sentence is added to the end of Section 17.M ("Limitations Of Claims") of the Franchise Agreement:

> You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after we grant you a the franchise.

6. **ACKNOWLEDGMENTS.** The following is added to the end of the Franchise Agreement as a new Section 19 (under Section 18 "Notices and Payments"):

> 19. Acknowledgments. All representations requiring you to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

REALTY WORLD INC.,
a Nevada corporation

By:_______________________________
Andrew Cimerman, CEO

DATED:_________________________

FRANCHISE OWNER	**FRANCHISE OWNER**
(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):	**(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):**
________________________________	________________________________ [Signature]
________________________________ [Name]	________________________________ [Print Name]
By:______________________________	________________________________ [Signature]
Title:____________________________	________________________________ [Print Name]
DATED:_________________________	________________________________ [Signature]
	________________________________ [Print Name]
	________________________________ [Signature]
	________________________________ [Print Name]
	DATED:_________________________

RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA

THIS RIDER is made and entered into by and between **REALTY WORLD, INC.** , a Nevada corporation with our principal business address at 1101 Dove Street, Suite 228, Newport Beach, California 92660 ("we") and ____ a(n) _________________________________, having its principal business address at ____ ("you").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated __________________________, 20___ (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the real estate brokerage business that you will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota

2. **NOTIFICATION OF INFRINGEMENT**. The following sentence is added to the end of Section 5.C ("Notification Of Infringements and Claims") of the Franchise Agreement:

> Provided you have complied with all provisions of this Agreement applicable to the Marks, we will protect your right to use the Marks and will indemnify you from any loss, cost or expenses arising out of any claims, suits or demands regarding your use of the Marks in accordance with Minn. Stat. Sec. 80C 12, Subd. 1(g).

3. **RENEWAL**. The following is added to the end of Sections 13.B ("Your Right to Acquire A Successor Franchise") and 14 ("Termination of Agreement") of the Franchise Agreement:

> However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

4. **RELEASES.** The following is added to the end of Sections 13.C ("Agreement/Releases"), 12.C ("Transfer – By You"), and 12.D ("Transfer To A Wholly-Owned Corporation Or Limited Liability Company") of the Franchise Agreement:

> Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

5. **REMEDIES**. The following language is added to the end of Section 17.J of the Franchise Agreement

> We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400(J). However, we and you agree to enforce the provision to the extent the law allows.

6. **GOVERNING LAW**. The following statement is added at the end of Section 17.G ("Governing Law") of the Franchise Agreement:

Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

7. **CONSENT TO JURISDICTION**. The following language is added to the end of Section 17.H ("Consent to Jurisdiction") of the Franchise Agreement:

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400(J) prohibit us, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your rights to any procedure, forum or remedies that the laws of the jurisdiction provide.

8. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL**. If and then only to the extent required by the Minnesota Franchises Law, Section 17.I of the Franchise Agreement is deleted.

9. **INJUNCTIVE RELIEF**. The paragraph under Section 17.K ("Injunctive Relief") of the Franchise Agreement is deleted in its entirety and replaced by the following paragraph:

> Nothing in this Agreement bars our right to obtain specific performance of the provisions of this Agreement and seek injunctive relief against threatened conduct that will cause us, the Marks and/or the Franchise System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may seek such injunctive relief in addition to such further or other relief as may be available at law or in equity. You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby). A court will determine if a bond is required.

10. **LIMITATIONS OF CLAIMS**. The following is added to the end of Section 17.M of the Franchise Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

REALTY WORLD INC.,
a Nevada corporation

By:_______________________________
Andrew Cimerman, CEO

DATED:________________________

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____

____
[Name]

By:______________________________

Title:____________________________

DATED:_________________________

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

DATED:_________________________

RIDER TO THE
FRANCHISE AGREEMENT FOR USE IN THE
STATE OF NEW YORK

THIS RIDER is made and entered into by and between **REALTY WORLD, INC.** , a Nevada corporation with our principal business address at 1101 Dove Street, Suite 228, Newport Beach, California 92660 ("we") and ____ a(n) _________________________________, having its principal business address at ____ ("you").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated _________________________________, (the "Franchise Agreement"). This Rider is being signed because (a) you are domiciled in the State of New York and the real estate brokerage business that you will operate under the Franchise Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in New York.

2. **RELEASES**. The following is added to the end of Sections 13.C ("Agreement/Releases"), 12.C ("Transfer – By You"), and 12.D ("Transfer To A Wholly-Owned Corporation Or Limited Liability Company") of the Franchise Agreement:

> Notwithstanding the foregoing all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

3. **TRANSFER – BY US**. The following language is added to the end of Section 12.A (Transfer; By Us") of the Franchise Agreement:

> However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

4. **TERMINATION OF AGREEMENT**. The following language is added to the end of Section 14 ("Termination Of Agreement") of the Franchise Agreement:

> You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **GOVERNING LAW**. The following language is added to the end of Section 17.G ("Governing Law") of the Franchise Agreement:

> This section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

6. **CONSENT TO JURISDICTION**. The following is added to the end of Section 17.H ("Consent To Jurisdiction") of the Franchise Agreement:

> This section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

7. **ENTIRE AGREEMENT**. The following sentence is added to the end of Section 17.O ("Construction) of the Franchise Agreement:

> Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Disclosure Document that we furnished to you.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

REALTY WORLD INC.,
a Nevada corporation

By:______________________________
Andrew Cimerman, CEO

DATED:________________________

FRANCHISE OWNER	**FRANCHISE OWNER**
(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):	**(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):**
______________________________	______________________________ [Signature]
______________________________ [Name]	______________________________ [Print Name]
By:____________________________	______________________________ [Signature]
Title:__________________________	______________________________ [Print Name]
DATED:______________________	______________________________ [Signature]
	______________________________ [Print Name]
	______________________________ [Signature]
	______________________________ [Print Name]
	DATED:______________________

RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA

THIS RIDER is made and entered into by and between **REALTY WORLD, INC.** , a Nevada corporation with our principal business address at 1101 Dove Street, Suite 228, Newport Beach, California 92660 ("we") and ____ a(n) _________________________________, having its principal business address at ____ ("you").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated ___________________________, 20___ (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of North Dakota and the real estate brokerage business that you will operate under the Franchise Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. **RELEASES**. The following is added to the end of Sections 13.C ("Agreement/Releases"), 12.C ("Transfer – By You"), and 12.D ("Transfer To A Wholly-Owned Corporation Or Limited Liability Company") of the Franchise Agreement:

> Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **COVENANT NOT TO COMPETE**. The following is added to the end of Section 15.D ("Covenant Not To Compete") of the Franchise Agreement:

> Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

4. **REMEDIES**. The following language is added to the end of Section 17.J ("Remedies") of the Franchise Agreement:

> We and you acknowledge that certain parts of this provision might not be enforceable under the North Dakota Franchise Investment Law. However, we and you agree to enforce the provision to the extent the law allows.

5. **GOVERNING LAW**. Section 17.G of the Franchise Agreement is deleted and replaced with the following:

> Except as otherwise required by North Dakota law, this Agreement, the franchise, and all claims arising from the relationship between us and you will be governed by the laws of the state in which your business is located without regard to its conflict of laws rules, except that any state law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless

its jurisdictional requirements are met independently without reference to this paragraph.

6. **CONSENT TO JURISDICTION**. The following is added to the end of Section 17.H ("Consent To Jurisdiction") of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, and subject to your mediation obligations, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

7. **LIMITATION OF CLAIMS**. The following is added to the end of Section 17.M ("Limitation Of Claims") of the Franchise Agreement:

The statutes of limitations under North Dakota Law applies with respect to claims arising under the North Dakota Franchise Investment Law.

8. **ENTIRE AGREEMENT**. The following sentence is added to the end of Section 17.O ("Construction) of the Franchise Agreement:

Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Disclosure Document that we furnished to you.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

REALTY WORLD INC.,
a Nevada corporation

By:_______________________________
Andrew Cimerman, CEO

DATED:_________________________

FRANCHISE OWNER	**FRANCHISE OWNER**
(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):	**(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):**
______________________________	______________________________ [Signature]
______________________________ [Name]	______________________________ [Print Name]
By:______________________________	______________________________ [Signature]
Title:______________________________	______________________________ [Print Name]
DATED:______________________________	______________________________ [Signature]
	______________________________ [Print Name]
	______________________________ [Signature]
	______________________________ [Print Name]
	DATED:______________________________

RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND

THIS RIDER is made and entered into by and between **REALTY WORLD, INC.** , a Nevada corporation with our principal business address at 1101 Dove Street, Suite 228, Newport Beach, California 92660 ("we") and ____ a(n) ________________________________, having its principal business address at ____ ("you").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated _________________________, 20____ (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Rhode Island and the real estate brokerage business that you will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **GOVERNING LAW / CONSENT TO JURISDICTION**. The following language is added to the end of Sections 17.G and 17.H of the Franchise Agreement:

> Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this act." To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

REALTY WORLD INC.,
a Nevada corporation

By:_______________________________
Andrew Cimerman, CEO

DATED:_________________________

FRANCHISE OWNER	**FRANCHISE OWNER**
(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):	**(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):**
______________________________	______________________________ [Signature]
______________________________ [Name]	______________________________ [Print Name]
By:____________________________	______________________________ [Signature]
Title:__________________________	______________________________ [Print Name]
DATED:______________________	______________________________ [Signature]
	______________________________ [Print Name]
	______________________________ [Signature]
	______________________________ [Print Name]
	DATED:______________________

RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN WASHINGTON

THIS RIDER is made and entered into by and between **REALTY WORLD, INC.** , a Nevada corporation with our principal business address at 1101 Dove Street, Suite 228, Newport Beach, California 92660 ("we") and ____ a(n) _________________________________, having its principal business address at ____ ("you").

1. **BACKGROUND**. We and you are parties to that certain Franchise Agreement dated ___________________________, 20____ (the "Franchise Agreement"). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Washington; and/or (b) the real estate brokerage business that you will operate under the Franchise Agreement will be located or operated in Washington; and/or (c) any of the offering or sales activity relating to the Franchise Agreement occurred in Washington.

2. **WASHINGTON LAW**. The Securities Division of the Department of Financial Institutions for the State of Washington requires the following language:

> In recognition of the requirements of the Washington Franchise Investment Protection Act (the "Act") and the rules and regulations promulgated thereunder, the Franchise Agreement shall be modified as follows:
>
> The State of Washington has a statute, RCW 19.100.180, which might supersede this Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There might also be court decisions which supersede this Agreement in your relationship with us, including termination and renewal of your franchise.
>
> In the event of a conflict of laws, to the extent required by the Act, the provisions of the Act, Chapter 19.100 RCW, shall prevail.
>
> To the extent required by the Act, a release or waiver of rights executed by you shall not include rights under the Act, except when executed pursuant to a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act, such as a right to a jury trial, might not be enforceable.
>
> To the extent required by the Act, transfer fees are collectable to the extent that they reflect our reasonable estimate or actual costs in effecting a transfer.

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

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

REALTY WORLD INC.,
a Nevada corporation

By:________________________________
Andrew Cimerman, CEO

DATED:__________________________

FRANCHISE OWNER	**FRANCHISE OWNER**
(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):	**(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):**
______________________________	______________________________ [Signature]
______________________________ [Name]	______________________________ [Print Name]
By:______________________________	
Title:_____________________________	______________________________ [Signature]
DATED:_________________________	______________________________ [Print Name]
	______________________________ [Signature]
	______________________________ [Print Name]
	______________________________ [Signature]
	______________________________ [Print Name]
	DATED:_________________________

NEW YORK REPRESENTATIONS PAGE

FRANCHISOR REPRESENTS THAT THIS FRANCHISE DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

EXHIBIT K

RECEIPTS

RECEIPT
(OUR COPY)

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Realty World, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under New York law, we must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Realty World, Inc., does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

Franchise seller(s) offering the franchise: Realty World, Inc., 1101 Dove Street, Suite 228, Newport Beach, California 92660, (714) 436-9009. Also, please identify any additional individual franchise seller who offered you a Realty World franchise in the space provided below:

❑ Name of Franchise Seller: Lisa Gerdes Realty World, Inc. 1101 Dove Street, Suite 228 Newport, California 92660 (714) 436-9009	❑ Name of Franchise Seller: ________________________ Realty World, Inc. 1101 Dove Street, Suite 228 Newport, California 92660 (714) 436-9009	❑ Name of Franchise Seller: ________________________ Principal Business Address: ________________________ ________________________

Issuance Date: August 28, 2018

See Exhibit A for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated August 28, 2018, that included the following Exhibits:

Exhibit A	State Agencies / Agents for Service of Process	Exhibit F	List of Franchisees Who Left the System
Exhibit B	Franchise Agreement	Exhibit G	Operations Manual Table of Contents
Exhibit B1	Exclusive Territory Addendum	Exhibit H	Representations and Acknowledgment Statement
Exhibit C	Initial Franchise Fee Promissory Note	Exhibit I	Sample General Release
Exhibit D	Financial Statements	Exhibit J	State Addenda and Agreement Riders
Exhibit E	List of Franchises	Exhibit K	Receipts

PROSPECTIVE FRANCHISEE:

If a business entity:	If a business entity:	If an individual:
________________________ Name of Business Entity	________________________ Name of Business Entity	________________________ Print Name: ______________
By: ____________________ Its: ____________________ Print Name: ______________ Dated: __________________ (Do not leave blank)	By: ____________________ Its: ____________________ Print Name: ______________ Dated: __________________ (Do not leave blank)	Dated: __________________ (Do not leave blank)

Please sign this copy of the receipt, print the date on which you received this Disclosure Document, and return it to Realty World, Inc., 1101 Dove Street, Suite 228, Newport Beach, California 92660.

RECEIPT
(YOUR COPY)

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Realty World, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under New York law, we must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Realty World, Inc., does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

Franchise seller(s) offering the franchise: Realty World, Inc., 1101 Dove Street, Suite 228, Newport Beach, California 92660, (714) 436-9009. Also, please identify any additional individual franchise seller who offered you a Realty World franchise in the space provided below:

❑ Name of Franchise Seller:	❑ Name of Franchise Seller:	❑ Name of Franchise Seller:
Lisa Gerdes Realty World, Inc. 1101 Dove Street, Suite 228 Newport, California 92660 (714) 436-9009	____________________________ Realty World, Inc. 1101 Dove Street, Suite 228 Newport, California 92660 (714) 436-9009	____________________________ Principal Business Address: ____________________________ ____________________________

Issuance Date August 28, 2018

See Exhibit A for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated August 28, 2018, that included the following Exhibits:

Exhibit A	State Agencies / Agents for Service of Process	Exhibit F	List of Franchisees Who Left the System
Exhibit B	Franchise Agreement	Exhibit G	Operations Manual Table of Contents
Exhibit B1	Exclusive Territory Addendum	Exhibit H	Representations and Acknowledgment Statement
Exhibit C	Initial Franchise Fee Promissory Note	Exhibit I	Sample General Release
Exhibit D	Financial Statements	Exhibit J	State Addenda and Agreement Riders
Exhibit E	List of Franchises	Exhibit K	Receipts

PROSPECTIVE FRANCHISEE:

If a business entity:	If a business entity:	If an individual:
____________________________ Name of Business Entity By: ________________________ Its: ________________________ Print Name: __________________ Dated: ______________________ (Do not leave blank)	____________________________ Name of Business Entity By: ________________________ Its: ________________________ Print Name: __________________ Dated: ______________________ (Do not leave blank)	____________________________ Print Name: __________________ Dated: ______________________ (Do not leave blank)

KEEP THIS COPY FOR YOUR RECORDS