



Blue-Grace Franchise LLC  
2846 S. Falkenburg Rd.  
Riverview, FL 33578  
Tel: (800) 697-4477  
Website: [www.mybluegrace.com](http://www.mybluegrace.com)

## FRANCHISE DISCLOSURE DOCUMENT

**Blue-Grace Franchise LLC**  
**2846 S. Falkenburg Rd.**  
**Riverview, FL 33578**  
**Tel: (800) 697-4477**  
**Website: [www.mybluegrace.com](http://www.mybluegrace.com)**

The franchise offered is for the operation of a Blue-Grace® Logistics business providing freight and specialized freight transportation and shipping services. Franchisees may, under certain circumstances, be given the option to provide parcel transportation and shipping services through their Blue-Grace® Logistics business. Franchisees will be authorized to sell freight and parcel (if available) transportation and shipping services to businesses and individuals. The franchise includes the right to use the Blue-Grace® Logistics trademarks, trade dress and operating system.

The total investment necessary to begin operation of a Blue-Grace® Logistics business is between \$75,000.00 to \$156,250.00. This includes \$57,500.00 that must be paid to us or an affiliate.

This Franchise Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this Franchise Disclosure Document and all accompanying agreements carefully. You must receive this Franchise 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 government agency has verified the information contained in this document.**

You may wish to receive your Franchise Disclosure Document in another format that is more convenient to you. To discuss the availability of disclosures in different forms, contact Blue-Grace® Logistics' franchise group by mail at 2846 S. Falkenburg Rd., Riverview, FL 33578, by telephone (813) 641-0357 or by email at [franchise@mybluegrace.com](mailto:franchise@mybluegrace.com).

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

Buying a franchise is a complex investment. The information in this Franchise 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 Franchise Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information.

Call your state agency or visit your public library for other sources of information on franchising.

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

The issuance date is: March 24, 2014.

## 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 FRANCHISE DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor or 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.

### RISK FACTORS:

**1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN THE STATE OF FLORIDA, UNLESS OTHERWISE BROUGHT BY US. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN FLORIDA THAN IN YOUR OWN STATE.**

**2. THE FRANCHISE AGREEMENT STATES THAT FLORIDA LAW GOVERNS THE AGREEMENT AND THIS LAW MAY NOT PROVIDE YOU WITH THE SAME PROTECTIONS AND BENEFITS AS YOUR LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.**

**3. THE FRANCHISE AGREEMENT DOES NOT GRANT TO YOU THE RIGHT TO AN EXCLUSIVE TERRITORY FOR YOUR FRANCHISED BUSINESS.**

**4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.**

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

The effective date of this Franchise Disclosure Document is listed on the next page.

## STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

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

California	May 8, 2014
Hawaii	_____
Illinois	April 21, 2014
Indiana	March 29, 2014
Maryland	April 24, 2014
Michigan	April 23, 2014
Minnesota	March 28, 2014
New York	April 18, 2014
North Dakota	March 27, 2014
Rhode Island	May 2, 2014
South Dakota	March 29, 2014
Virginia	May 27, 2014
Washington	April 18, 2014
Wisconsin	March 25, 2014

In all the other states, the effective date of this Franchise Disclosure Document is the issuance date of March 24, 2014.

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## **ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language in this Franchise Disclosure Document, “we,” “us” or “our” means Blue-Grace Franchise LLC, the franchisor. “You” means the individual, corporation, limited liability company or partnership who buys the franchise, the franchisee. If the franchisee is a corporation, partnership, limited liability company or other entity, then “you” also includes the franchisee’s shareholders, partners, members and/or designees.

### **The Franchisor:**

We are a Florida limited liability company formed on October 7, 2009. Our principal business address is 2846 S. Falkenburg Rd., Riverview, FL 33578. Our telephone number is (813) 641-0357 and our facsimile number is (813) 369-7804. Our email address is [franchise@mybluegrace.com](mailto:franchise@mybluegrace.com). Our agents for service of process in the states whose franchise laws require us to name a state agency as agent for service of process are shown on Exhibit A.

We offer franchises for the operation of a Blue-Grace® Logistics business providing freight transportation and shipping services, including, but not limited to, less-than-truckload and less-than truckload related shipments (“Freight Services”), as well as full truckload shipments, expedited shipments, air freight, ocean freight, and freight shipments that cannot be transported or shipped through standard less-than-truckload means or cannot or will not be serviced by less-than-truckload carriers at customary rates (“Specialized Freight Services”). Under certain circumstances described below, franchisees may be given the option to provide parcel transportation and shipping services (“Parcel Services”), through their Blue-Grace® Logistics business.

We began offering franchises on October 26, 2010. We do not operate any other type of business and have never offered franchises in any other business. Prior to our franchise offering, and from approximately December 2008 through October 2010, our affiliate Blue-Grace Logistics LLC entered into agreements of service with certain individuals, corporations, limited liability companies and partnerships for essentially the same services as are offered in this franchise offering. Substantially all of such “partner groups” have converted to this franchise offering, which conversion period shall terminated on December 31, 2013.

### **Our Parents, Predecessor and Affiliates:**

Our parent company is Blue-Grace Group LLC, a Delaware limited liability company. Blue-Grace Group LLC was formed on June 23, 2011 and has a principal business address of 2846 S. Falkenburg Rd., Riverview, FL 33578, a telephone number of (800) 697-4477, a facsimile number of (813) 369-7804 and an email address of [generalcounsel@mybluegrace.com](mailto:generalcounsel@mybluegrace.com). Blue-Grace Group LLC operates as a holding company for its Affiliates. Blue-Grace Group LLC does not franchise in this line of business or any other.

We do not have any predecessors.

We are affiliated with Blue-Grace Logistics LLC, a Florida limited liability company, formerly known as Blue-Grace Group, LLC. Blue-Grace Logistics LLC was formed on July 5, 2007 and has a principal business address of 2846 S. Falkenburg Rd., Riverview, FL 33578, a telephone number of (800) 697-4477, a facsimile number of (813) 369-7804 and an email

address of [generalcounsel@mybluegrace.com](mailto:generalcounsel@mybluegrace.com). Blue-Grace Logistics LLC operates a business similar to the type being franchised in this Franchise Disclosure Document. Blue-Grace Logistics LLC does not franchise in this line of business or any other.

We are also affiliated with Blue-Grace Technologies LLC, a Florida limited liability company. Blue-Grace Technologies LLC was formed on October 7, 2009 and has a principal business address of 2846 S. Falkenburg Rd., Riverview, FL 33578, a telephone number of (800) 697-4477, a facsimile number of (813) 369-7804 and an email address of [generalcounsel@mybluegrace.com](mailto:generalcounsel@mybluegrace.com). Blue-Grace Technologies LLC owns, operates and/or licenses certain technologies used in connection with providing transportation and shipping services to customers. Blue-Grace Technologies LLC has entered into license agreement(s) with us and/or our affiliates that allow us and/or our affiliates to license to you the right to use certain technologies. The Blue-Grace® Logistics technology resources will allow you to operate a platform that will help you book, quote, trace, and manage your shipments and your Franchised Business (as defined below). Blue-Grace Technologies LLC does not operate a business similar to the type being franchised in this Franchise Disclosure Document nor has Blue-Grace Technologies LLC offered franchises in this or any other line of business. Blue-Grace Technologies LLC does not franchise in this line of business or any other.

We are also affiliated with Blue-Grace Systems LLC, a Florida limited liability company. Blue-Grace Systems LLC was formed on January 15, 2010 and has a principal business address of 2846 S. Falkenburg Rd., Riverview, FL 33578, a telephone number of (800) 697-4477, a facsimile number of (813) 369-7804 and an email address of [generalcounsel@mybluegrace.com](mailto:generalcounsel@mybluegrace.com). Blue-Grace Systems LLC provides freight desk management services to companies offering transportation and shipping services to customers, including franchisees of Blue-Grace Franchise LLC. Blue-Grace Systems LLC does not operate a business similar to the type being franchised in this Franchise Disclosure Document nor has Blue-Grace Systems LLC offered franchises in this or any other line of business. Blue-Grace Systems LLC does not franchise in this line of business or any other.

We are also affiliated with Blue-Grace I.P. LLC, a Florida limited liability company. Blue-Grace I.P. LLC was formed on October 9, 2009 and has a principal business address of 2846 S. Falkenburg Rd., Riverview, FL 33578, a telephone number of (800) 697-4477, a facsimile number of (813) 369-7804 and an email address of [generalcounsel@mybluegrace.com](mailto:generalcounsel@mybluegrace.com). Blue-Grace I.P. LLC is the owner of the intellectual property and the Principal Trademarks, as defined in Item 13. We have entered into a perpetual license with Blue-Grace I.P. LLC to use and to license to you the right to use the intellectual property and Principal Trademarks owned by Blue-Grace I.P. LLC. Blue-Grace I.P. LLC does not operate a business similar to the type being franchised in this Franchise Disclosure Document nor has Blue-Grace I.P. LLC offered franchises in this or any other line of business. Blue-Grace I.P. LLC does not franchise in this line of business or any other.

We are also affiliated with Blue-Grace Ventures LLC, a Delaware series limited liability company. Blue-Grace Ventures LLC was formed on March 19, 2012 and has a principal business address of 2846 S. Falkenburg Rd., Riverview, FL 33578, a telephone number of (800) 697-4477, a facsimile number of (813) 369-7804 and an email address of [generalcounsel@mybluegrace.com](mailto:generalcounsel@mybluegrace.com). Blue-Grace Ventures LLC formed a series called Orlando Franchise on June 4, 2013 to operate a company-owned franchise in Orlando, Florida. Blue-Grace Ventures LLC – Orlando Franchise operates a business similar to the type being franchised in this Franchise Disclosure Document. Blue-Grace Ventures LLC does not franchise



in this line of business or any other.

### **The Franchise Offered:**

Your franchise will permit you to operate one Blue-Grace® Logistics office from which you will have the right to sell Freight Services, Specialized Freight Services and Parcel Services (if available) under the Principal Trademarks to businesses and individuals through our proprietary system (“System”) and in accordance with the system standards (“System Standards”) established by us (“Franchised Business”).

The market for Freight Services, Specialized Freight Services and Parcel Services is well developed and very competitive. You will compete with national, regional and local businesses, agents, representatives and salespersons employed or otherwise paid by other freight and parcel transportation and shipping companies, carrier companies and other third-party logistics companies, all of whom may be offering or selling similar services.

### **Industry Regulations:**

In addition to laws and regulations that apply to businesses generally, your Franchised Business may be subject to federal, state and local regulations specific to the transportation and shipment of freight and parcels, including but not limited to those issued by the Federal Highway Administration, the Federal Motor Carrier Safety Administration, the Federal Maritime Commission and the Federal Aviation Administration. You should also be aware of federal, state and local labor regulations including minimum age and minimum wage laws. These requirements may apply to your Franchised Business. The details of these restrictions may vary from state to state and from locality to locality. We urge you to make inquiries into all federal, state and local regulations and laws that may be applicable to your Franchised Business.

## **ITEM 2. BUSINESS EXPERIENCE**

### **Chief Executive Officer & President, Robert Harris:**

Robert Harris has been the Chief Executive Officer & President of Blue-Grace Franchise LLC, since October 2009 to the present. From March 2012 to the present, Mr. Harris has served as the Chief Executive Officer & President of our affiliate, Blue-Grace Ventures LLC. From June 2011 to the present, Mr. Harris has served as the Chief Executive Officer & President of our parent, Blue-Grace Group LLC. From July 2007 to the present, Mr. Harris has served as the Chief Executive Officer & President of our affiliate, Blue-Grace Logistics LLC. From October 2009 to the present, Mr. Harris has served as the Chief Executive Officer & President of our affiliates, Blue-Grace I.P. LLC and Blue-Grace Technologies LLC. From January 2010 to the present, Mr. Harris has served as the Chief Executive Officer & President of our affiliate, Blue-Grace Systems LLC. From September 2006 to December 2008, Mr. Harris served as the Vice-President of Sales for Osby Technologies LLC, a Florida corporation located in Valrico, Florida. From June 2004 to the present, Mr. Harris has also served as the Chief Executive Officer of Metro Mar Ventures, LLC, a Florida limited liability company located in Apollo Beach, Florida.

### **Chief Financial Officer and Treasurer, Michael C. Dolski**

Michael Dolski has been the Chief Financial Officer and Treasurer of Blue-Grace Franchise LLC since July 2010 to the present, serving as its Secretary as well from July 2010 to January 2013. From March 2012 to the present, Mr. Dolski has served as the Chief Financial

Officer & Treasurer of our affiliate, Blue-Grace Ventures LLC. From July 2011 to the present, Mr. Dolski has served as the Chief Financial Officer of our parent, Blue-Grace Group LLC, serving as its Secretary as well from July 2011 to January 2013. From July 2010 to the present, Mr. Dolski has served as the Chief Financial Officer of our affiliates, Blue-Grace Logistics LLC, Blue-Grace I.P. LLC, Blue-Grace Technologies LLC and Blue-Grace Systems LLC, serving as their Secretary as well from July 2010 to January 2013. From March 2009 to June 2010, Mr. Dolski served as the Chief Operating Officer of Calamos Real Estate LLC, a Delaware limited liability company, with an office located in Naperville, Illinois. From 2002 to February 2009, Mr. Dolski served as Vice-President of Brunswick Corporation, a Delaware corporation, with an office located in Lake Forest, Illinois.

**General Counsel & Secretary, Robert F. Beckmann:**

Robert F. Beckmann has been the General Counsel & Secretary of Blue-Grace Franchise LLC, our parent Blue-Grace Group LLC, and our affiliates, Blue-Grace Logistics LLC, Blue-Grace I.P. LLC, Blue-Grace Technologies LLC and Blue-Grace Systems LLC since January 2013 to present. From March 2012 to the present, Mr. Beckmann has served as the General Counsel & Secretary of our affiliate, Blue-Grace Ventures LLC. From October 2010 to January 2013, Mr. Beckmann was the General Counsel of Blue-Grace Logistics LLC. From March 2008 through October 2010, Mr. Beckmann was a Senior Consultant with FieldSVC.com, located in Sarasota, Florida. From June 2008 to October 2010, Mr. Beckmann was a Senior Real Estate Attorney with AutoZone Auto Parts, located in Memphis, Tennessee. From May 2005 to February 2008, Mr. Beckmann was Chief Legal Officer, Vice President & Secretary of Clockwork Home Services, located in Sarasota, Florida.

**Chief Operating Officer, Randy M. Collack:**

Randy M. Collack has been the Chief Operating Officer of Blue-Grace Franchise LLC since January 2011 to the present, serving as its Vice President of Administration as well from January 2011 to January 2013. From March 2012 to the present, Mr. Collack has served as the Chief Operating Officer of our affiliate, Blue-Grace Ventures LLC. From October 2009 through January 2011, Mr. Collack served as Vice-President of Administration of Blue-Grace Franchise LLC. From June 2011 to the present, Mr. Collack has served as the Chief Operating Officer of our parent, Blue-Grace Group LLC, serving as its Vice President of Administration as well from June 2011 to January 2013. From January 2011 to the present, Mr. Collack has served as the Chief Operating Officer of our affiliates, Blue-Grace Logistics LLC, Blue-Grace I.P. LLC, Blue-Grace Technologies LLC and Blue-Grace Systems LLC, serving as their Vice President of Administration as well from January 2011 to January 2013. From January 2010 to January 2011, Mr. Collack was the Vice President of Administration for Blue-Grace Logistics LLC. From January 2009 to the present, Mr. Collack has also served as the Vice-President of Administration of our affiliate, Blue-Grace Logistics LLC. From August 2005 to December 2008, Mr. Collack served as Sales Manager of Metro Mar Ventures, LLC. From October 2000 to August 2005, Mr. Collack was the President of P D T Trucking, Inc., a Florida corporation, located in Tampa, Florida.

**ITEM 3. LITIGATION**

No litigation is required to be disclosed in this Item.

#### **ITEM 4. BANKRUPTCY**

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

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

You must pay to us an initial franchise fee of \$57,500.00 (“Initial Franchise Fee”) upon execution of your Franchise Agreement, a form of which is annexed as Exhibit B to this Franchise Disclosure Document. A fifteen percent (15%) discount from the Initial Franchise Fee shall be granted to Veterans from any of the United States Armed Services providing reasonable proof of their military service and an honorable discharge. You will pay the initial franchise fee in a lump sum payment. The Initial Franchise Fee is not refundable for any reason and is fully earned when due and payable. We reserve the right to offer incentives on the Initial Franchise Fee from time to time, including the payment of finder’s fees to existing franchisees that refer a newly signed franchisee. We waived the initial franchise fee for our initial franchisees who were previously under contract with us as “partner groups” before we initiated our franchise offering.

If your franchised business will be located in Illinois, Virginia or Washington, we will defer the initial franchise fee and other initial payments until the franchisee is open and operational. The Illinois Attorney General’s Office made this determination based on our financial statements. If your franchised business will be located in Rhode Island, we will defer the initial franchise fee and other initial payments until franchisee is open and operational, and when training is complete. If your franchised business will be located in Maryland or if the franchisee is a resident of Maryland regardless of where the franchised business is to be located, all initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations. See the state specific addenda for your state attached to this Franchise Disclosure Document for more information. You are not required to make any other payments to us for goods or services prior to opening your Franchised Business except as indicated below.

If we or our designee performs an additional visitation to conduct on-site evaluation, we may require you to reimburse us for our expenses incurred, including the cost of travel, lodging and meals, but only if we reasonably determine there to be a violation of our site selection criteria. The range for our expenses depends on airfare, hotel prices and lodging, all of which we cannot predict at this time. We do not have a range for the expenses paid during the last fiscal year, if any. See Item 11 for more information on site evaluation.

We will train you or your Operating Principal (defined in Item 6) and at least one (1) full-time employee without charge. You may request that we provide initial training for additional employees. If we agree to provide initial training for additional employees, we may charge you an additional initial training fee of \$1,000.00 per day per plus costs and expenses incurred during the initial training program upon advanced notification to you.

#### **ITEM 6. OTHER FEES**

Name of Fee <sup>1</sup>	Amount	Due Date	Remarks
Freight Royalty <sup>2</sup>	18% - 21% of your Freight Gross Margin and Specialized Freight	Weekly payment by Electronic Funds	The Freight Royalty is paid directly to us.

	Gross Margin	Transfer (“EFT”) or Automatic Bill Payment (“ABP”)	
Specialized Freight Services Full Truckload Minimum <sup>3</sup>	A \$62.50 minimum payment applies to full truckload shipments booked through Franchisor’s resources; however, if you book your own full truckload shipment not utilizing our resources then each such shipment shall not be subject to the \$62.50 minimum payment	Weekly payment by EFT or ABP	The Full Truckload Minimum is paid directly to us.
Parcel Royalty <sup>4</sup>	5.7% of Parcel Gross Revenues	Weekly payment by EFT or ABP	The Parcel Royalty is paid directly to us.
Shipping Fee <sup>5</sup>	\$6.20 per freight shipment and each freight shipment taken off of billing hold initiated by you; \$0.50 per parcel shipment	Weekly payment by EFT or ABP	Shipping fees are paid directly to us or our affiliates.
Pass-through charges for services from certain Suppliers <sup>6</sup>	We do not charge you a fee for our services as your payment agent. You pay only the actual amount charged for services that you use	Weekly payment by EFT or ABP	We pay the Suppliers for the Freight Services, Specialized Freight Services or Parcel Services invoiced to us that you use and you must pay us each week based on reports from the Suppliers on terms specified by the Suppliers.
Brand Fund Contribution <sup>7</sup>	Up to 1% of Gross Revenues	Monthly payment by EFT or ABP	We currently do not require franchisees to contribute toward the Brand Fund. If required later, Brand Fund Contributions are to be paid directly to the Brand Fund.
Local Advertising, Marketing and	Up to 1% of Gross Revenues	Upon approval by	We currently do not require franchisees to incur any local

Promotional Expenditure <sup>8</sup>		us	advertising, marketing and promotional expenditures. If required later, payments for local advertising, marketing and promotional expenditures are to be made to third parties.
Freight Desk Management Service Fee <sup>9</sup>	0% to 24% of GMLR (defined in note 9 below)	As determined in Service Agreement	Freight desk management service fees are paid directly to Blue-Grace Systems LLC.
Late Interest	The lesser of 18% per year or the highest rate allowed by law	As incurred	Late interest is paid to us. Late interest is paid from the date of non-payment or underpayment.
Penalty Payment	5% of the amount due	As incurred	Penalty payment is paid to us. Penalty payment is paid on any payment received by us more than three (3) days after its due date.
Transfer Fee	\$5,000.00	Upon application to transfer and as incurred	This fee is payable to us. The transfer fee is a one-time fee paid upon an application to transfer the franchise.
Relocation Fee	\$1,500.00 plus all costs incurred by us in assisting in relocation	As incurred	This fee is payable to us.
Public Offering Fee	We will not permit you to form a public corporation	Not applicable	
Annual Fee for Public Companies	We will not permit you to form a public corporation	Not applicable	
Audit Fee <sup>10</sup>	Our costs and expenses. We estimate the range of audit costs to be from \$5,000.00 to \$10,000.00	As incurred	The audit fee is paid to us.
Additional Initial Training Fee <sup>11</sup>	\$1,000.00 per day plus costs and expenses incurred during initial training program	As incurred	The fee for additional initial training is paid to us.
Additional Training <sup>12</sup>	\$1,000.00 per day for services of trained	As incurred	The fee for additional training is paid to us.

	representatives plus costs and expenses incurred		
Costs and Expenses	All costs and expenses including, but not limited to attorney fees, for any failure to pay amounts when due or failure to comply in any way with the Franchise Agreement	As incurred	These costs and expenses, including, but not limited to attorney fees, are payable to us or other third parties.
Successor Agreement Fee	\$5,000.00	Upon signing the successor agreement	An unlimited number of five (5) year successor terms are available to qualified franchisees. See Item 17 for more information.
Indemnification	The amount of any claim, liability or loss we incur from your Franchised Business	As incurred	Indemnification is payable to us.
Late Office Opening Fee <sup>13</sup>	\$1,000.00 per month until office opened	As incurred	The late office opening fee is paid directly to us.
Reimbursement of Costs and Expenses <sup>14</sup>	Our costs and expenses	As incurred	Reimbursement of costs and expenses is paid directly to us.
Liquidated Damages for Advertising Violation <sup>15</sup>	\$5,000.00	As incurred	Liquidated Damages for Advertising Violation is paid direct to the Brand Fund.
Customized Computer Programming Fees <sup>16</sup>	Our then current programming fee and third-party fees or additional charges (currently \$80.00 per hour)	As incurred	The fee for customized programming and third-party fees or additional charges is paid to us.

Notes:

1) The table above provides recurring or isolated fees or payments that you must pay to us or our affiliates or that we or our affiliates impose or collect in whole or in part on behalf of a third party or that you are required to spend by the Franchise Agreement. All fees and expenses described in this Item 6 are nonrefundable. Except as otherwise indicated in the chart above, we impose all fees and expenses uniformly.

2) The freight royalty is a weekly payment made by you based on the weekly average gross margin

of the Freight Services and Specialized Freight Services for the preceding quarter (“Freight Royalty”). “Freight Gross Margin” is defined in your Franchise Agreement to mean the difference between Freight Gross Revenues and the cost of freight transportation and shipping services sold. “Specialized Freight Gross Margin” means the difference between Specialized Freight Gross Revenues and the cost of Specialized Freight Services sold. “Freight Gross Revenues” are defined in your Franchise Agreement to include all revenue and income of any type or nature and from any source derived from Freight Services including, but not limited to, business interruption insurance proceeds allocable to Freight Services, that you derive or receive directly or indirectly from, through, or on account of the operation of the Franchised Business whether received in cash, in services, in kind, from barter and/or exchange, on credit, or otherwise. “Specialized Freight Gross Revenues” are defined to include all revenue and income of any type or nature and from any source derived from Specialized Freight Services including, but not limited to, business interruption insurance proceeds allocable to Specialized Freight Services, that you derive directly or indirectly from, though or on account of the operation of the Franchised Business whether received in cash, in kind, from barter and/or exchange or credit or otherwise. Freight Gross Revenues and Specialized Freight Gross Revenues do not include any revenue or income generated from Parcel Services.

Weekly Average Freight Gross Margin plus Specialized Freight Gross Margin Per Quarter	Freight Royalty Rate for Next Calendar Quarter
\$5,000.00 or less	21% of your Weekly Freight Gross Margin and Specialized Freight Gross Margin
Between \$5,000.01 and \$10,000.00	20% of your Weekly Freight Gross Margin and Specialized Freight Gross Margin
Between \$10,000.01 and \$20,000.00	19% of your Weekly Freight Gross Margin and Specialized Freight Gross Margin
\$20,000.01 or greater	18% of your Weekly Freight Gross Margin and Specialized Freight Gross Margin

Your Freight Royalty rate beginning on the effective date of the Franchise Agreement will be twenty-one percent (21%) of your weekly Freight Gross Margin and Specialized Freight Gross Margin.

If you begin operating your Franchised Business during a calendar quarter we may, in our sole discretion, charge you a Freight Royalty rate for your first full calendar quarter of twenty percent (20%), nineteen percent (19%) or eighteen percent (18%) depending on your weekly average Freight Gross Margin and Specialized Freight Gross Margin for your partial quarter.

We will require you to make Freight Royalty and Parcel Royalty payments and other payments described in this Franchise Disclosure Document through either an EFT system or an ABP system, in our sole discretion. The EFT Authorization and ABP Authorization are attached as Exhibit 3 to the Franchise Agreement.

You are required to meet certain minimum margin payments on Freight Services, Specialized Freight Services and Parcel Services during the initial term of your Franchise Agreement and during any successor term (“Minimum Margin Payments”). Your Minimum Margin Payments will require that you make minimum payments on your average Gross Margin per week. “Gross Margin” is the total of Freight Gross Margin, Specialized Freight Gross Margin (defined below) and Parcel Services Gross Margin (defined as Parcel Gross Revenues less the cost of Parcel Services sold). Your Minimum Margin Payments are provided in the table below. (See Section 4.2(a)(ii) of your Franchise Agreement for more information on your Minimum Margin Payments.) There are no financial performance requirements that you must meet.

### Minimum Margin Payments

Minimum Margin Payments	Quarters
\$100.00 per week	3 - 4
\$250.00 per week	5 - 8
\$500.00 per week	9 - 12
\$750.00 per week	13 - 16
\$1,000.00 per week	17 and each quarter after

3) Franchisee shall pay Franchisor a \$62.50 minimum payment per each shipment of certain Specialized Freight (this \$62.50 minimum payment only applies to full truckload shipments); however, if you utilize your own resources to book your own full truckload shipment and do not utilize our resources or the resources of one of our affiliates for any part of the shipment, then you will not be subject to the minimum payment.

4) We currently do not offer Parcel Services through our own Parcel Services provider. In the future we may offer Parcel Services directly through our own Parcel Services provider, and until such time you may utilize your own small parcel provider upon our prior written consent. If you do not offer Parcel Services prior to our introduction of our own Parcel Services provider, then you may only offer Parcel Services through our Parcel Services provider. If you offer Parcel Services prior to our introduction of our own Parcel Services provider (as approved in writing by us), you will have the option to (i) offer Parcel Services through our Parcel Services provider, in which event the remainder of this subsection shall apply, or (ii) continue to use your own small parcel provider (as approved in writing by us) provided the billings for such are made directly to you (in your own corporate name and in no way using our name), in which event you will not have to pay a Parcel Royalty as defined below. If you offer or elect to offer Parcel Services through our Parcel Services provider, then you will pay us a Parcel Royalty of five and seven-tenths percent (5.7%) of your Parcel Gross Revenues earned from parcel transportation and shipping services only (“Parcel Royalty”). See Section 4.2(c) of your Franchise Agreement for the definition of “Parcel Gross Revenues.” Your Parcel Services Gross Margin will count toward your Minimum Margin Payments.

5) You will be charged a shipping fee of \$6.20 for each freight shipment you book and in our sole discretion for each freight shipment taken off of billing hold initiated by you. If you elect to provide Parcel Services through your Franchised Business, you will pay us a shipping fee of \$0.50 per each parcel shipment you book. In certain limited circumstances, we may charge \$0.35 per bill of lading (BOL) if we determine, in our sole discretion, that there are excessive BOL’s created that are not tendered to a carrier, at which time we may charge \$0.35 for each such non-executed shipments. We may require you to book all parcel shipments using the Blue-Grace® Logistics technology resources.

6) Suppliers of Freight Services, Specialized Freight Services and Parcel Services invoiced to us will bill franchisor and be paid by franchisor based upon the actual amounts billed by the Supplier. Franchisee shall pay franchisor for these services on a weekly basis by ETF or ABP, franchisor to invoice franchisee



weekly and payment due therefore no later than twenty-six (26) days after receipt of the invoice. We do not charge a fee for our services as payment agent.

7) We currently do not require franchisees to contribute toward a Brand Fund, as defined in Item 11, but we reserve the right to require franchisees to do so in the future. Your contribution to the Brand Fund will be paid on a monthly basis directly to the Brand Fund and not to us. Your contribution to the Brand Fund will not exceed one percent (1%) of your Gross Revenues (“Brand Fund Contribution”). The Brand Fund Contribution will be fixed periodically by franchisor by written notice to franchisee. In any given calendar year, the Brand Fund Contribution and the local advertising, marketing and promotional expenditures shall collectively not exceed 1% of Gross Revenues. See Section 4.9 of your Franchise Agreement for the definition of “Gross Revenues.” Brand Fund Contributions do not belong to us and are not our revenue. We will have the right to expend Brand Fund Contributions at our sole discretion.

8) Even though we do not currently require you to spend up to one percent (1%) of your Gross Revenues for the preceding calendar year on local advertising, marketing and promotional programs (“Local Advertising Payments”), we reserve the right to require you to do so in the future. This requirement of Local Advertising Payments will not necessarily have a mandated expenditure per each month of the year. Local Advertising Payments added to the amount of your Brand Fund Contribution will equal one percent (1%) of Gross Revenues. If you begin operating within a calendar year, your Local Advertising Payments for your first calendar year will be based upon your Gross Revenues for the preceding partial calendar year adjusted on an annualized basis. Any discrepancy between the total incurred for the first year and the actual Local Advertising Payments for your first calendar year, that totals one percent (1%) of Gross Revenues with Brand Fund Contributions, will be credited against or added to the amount required to be incurred for the second calendar year. Each year the Local Advertising Payments will be adjusted depending upon Brand Fund Contributions so that together they equal one percent (1%) of Gross Revenue.

There are currently no advertising cooperatives in our System. Our and/or our affiliate owned units may possess voting power relating to the fees imposed by advertising cooperative(s), in the event that advertising cooperative(s) is/are formed, but only to the extent that no Brand Fund or Local Advertising initiatives exist.

In addition to your Local Advertising Payments, you may wish to use Social Media Platforms (defined as web based platforms such as Facebook, Twitter, LinkedIn, blogs and other networking and sharing sites) or use Social Media Materials (defined as any material on any Social Media Platform that makes use of our Principal Trademarks, name, brand, products or your Franchised Business) to advertise, market and/or promote your Franchised Business. You may not use a Social Media Platform or Social Media Materials without our prior written approval. Even if approved, your expenditures toward Social Media Platforms and Social Media Materials will not count toward your Local Advertising Payments.

9) Unless not required by us, you must enter into a Service Agreement with Blue-Grace Systems LLC for freight transportation and shipping freight desk management services. A form of the Service Agreement is attached to the Franchise Agreement as Exhibit 4. The freight desk management service fee is paid directly to Blue-Grace Systems LLC and will depend on the services that you contract from Blue-Grace Systems LLC. There are three (3) levels of freight desk management services: the Classic level at a cost of eight percent (8%) of the amount equal to Freight Gross Margin and Specialized Freight Gross Margin less Freight Royalties (“GMLR”), the Preferred level at a cost of sixteen percent (16%) of GMLR and the Premier level at a cost of twenty-four percent (24%) of GMLR. See the Service Agreement attached to the Franchise Agreement as Exhibit 4 for more information on the terms for each of the three (3) levels of freight desk management services. We reserve the right, in our sole discretion, to determine the level of service necessary, based upon a reasonable analysis of your experience in freight desk management services. In addition, in the event that you use the Premier level of freight desk management

services, you will be charged a \$10.00 claim processing fee for each customer claim filed with a carrier by Blue-Grace Systems LLC.

10) We may elect to conduct an audit of your books and records, including all of your sales and income records and tax returns if you have failed to furnish reports, supporting documents or other information as required by us, or otherwise in writing. If you have understated your Gross Revenues, Freight Gross Revenues, Freight Gross Margins, Specialized Freight Services Gross Revenues, Specialized Freight Gross Margins or Parcel Gross Revenues in any report or statement by two percent (2%) or more, you must pay us the Freight Royalty and/or Parcel Royalty, if applicable, based on the underreported amount plus interest, along with the cost of conducting the audit, including without limitation, travel, lodging, meals, wages, and expenses and accounting and legal fees incurred by us. If you understate your Gross Revenues, Freight Gross Revenues, Specialized Freight Services Gross Revenues, Parcel Gross Revenues, Freight Gross Margin or Specialized Freight Gross Margin we may terminate your Franchise Agreement under certain conditions. See Sections 4.7(f) and 14.4(b) of your Franchise Agreement for more information.

11) We will train you or your Operating Principal and at least one (1) full-time employee without charge. "Operating Principal" is defined in the Franchise Agreement as the managing shareholder, member or partner of the franchisee, if the franchisee is an entity. You may request that we provide initial training for additional employees. We are under no obligation to provide initial training to additional employees. If we agree to provide initial training for additional employees, we may charge you an additional initial training fee.

12) You may request additional training beyond the scope of what is customarily provided to franchisees. However, we are not obligated to provide it. If we do provide additional training, we may impose a fee for each day of requested training.

13) If you fail to open a site for your commercial office within one hundred and twenty (120) days of the date of your Franchise Agreement, we may terminate your Franchise Agreement, or, in lieu of that, we will charge you a late office opening fee of \$1,000.00 per month until you open a site for your commercial office.

14) In the event that you fail to cure, after notice, any deficiency in the Franchised Business and/or your operation of the Franchised Business, we may, in our sole discretion, correct the deficiency. If we correct the deficiency, you will pay to us, upon our demand, our costs and expenses incurred in correcting the deficiency. Also, in the event that we or an affiliate commences an action to enforce the terms of a Confidentiality, Non-Use and Non-Competition Agreement, you will pay us or our affiliate all of our or their costs and expenses incurred in enforcing the confidentiality, non-use and non-competition covenants.

15) Except in the case of a minor violation that we, in our sole discretion, determine that you can immediately cure, you must pay to the Brand Fund the amount of five thousand (\$5,000.00) dollars in liquidated damages for failing to obtain approval or authorization of any Advertising Material, Social Media Material or use of any Social Media Platform.

16) Customized computer programming fees are fees and expenses incurred by us for certain computer programming requested by you or your customers in addition to our standard technology resources that allow you to operate a platform that will help you book, quote, trace and manage your shipments and your Franchised Business. Our current internal programming fee is \$100.00 per hour. Third party charges are billed directly to you.

**ITEM 7. ESTIMATED INITIAL INVESTMENT**

<u>YOUR ESTIMATED INITIAL INVESTMENT</u>				
<u>Type of Expenditure</u>	<u>Amount</u>	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment is Made</u>
Initial Franchise Fee <sup>1</sup>	\$57,500.00	Lump sum	At signing of Franchise Agreement	Franchisor
Construction, Leasehold Improvements, Furniture and Fixtures <sup>2</sup>	\$0 - \$20,000.00	As incurred	Before opening	Third-party providers
Office Equipment <sup>3</sup>	\$500.00 - \$2,000.00	Lump sum	Before opening	Third-party providers
Computer and Software <sup>4</sup>	\$1,000.00 - \$7,500.00	Lump sum	Before opening	Third-party providers
Rent <sup>5</sup>	\$2,000.00 - \$8,000.00	As incurred	Before opening	Landlord
Utility Deposits <sup>6</sup>	\$500.00 - \$1,000.00	As incurred	Before opening	Utility providers
Insurance Deposits and Premiums <sup>7</sup>	\$1,500.00 - \$2,250.00	As arranged	Before opening	Insurance company
Pre-Opening Travel Expense <sup>8</sup>	\$1,500.00 - \$3,000.00	As incurred	Before opening	Airline, hotel, restaurants
Pre-Opening Labor <sup>9</sup>	\$0 - \$3,500.00	As incurred	Before opening	Employees
Professional Fees <sup>10</sup>	\$2,500.00 - \$10,000.00	As arranged	Before opening	Attorneys, accountants
Business Permits and Licenses <sup>11</sup>	\$500.00 - \$1,500.00	As incurred	Before opening	Licensing authorities
Additional Funds – 3 Months <sup>12</sup>	\$7,500.00 - \$40,000.00	As incurred	After opening	Various
Vehicle Lease or Payments	Optional	As incurred	Optional	Third-party providers
<b>Total<sup>13</sup></b>	<b>\$75,000.00 - \$156,250.00</b>			

Notes:

- 1) The Initial Franchise Fee is \$57,500.00. See Item 5 for more information.

2) While construction or build-out of a commercial office is not required, you may elect to customize your office. This estimate is for the costs for the improvement, furniture and fixtures of a commercial space for your Franchised Business, with between 1,000 and 1,500 square feet of space. We have based our estimates on our affiliate's opening a Blue-Grace® Logistics office in Florida and additional information we have obtained. The difference in the low and the high improvement cost estimates is due to the difference in size of the location. These estimates are applicable to a site which has been obtained in the "vanilla box" stage, which refers to the interior condition of either a new or existing building in which the improvements generally consist of heating/cooling with delivery systems, essential lighting, electrical switches and outlets, lavatories, a finished ceiling, walls that are prepped for painting, and a concrete slab floor. If you elect to install a building sign on the leased premises the estimated cost is approximately \$1,000.00 - \$2,000.00. These numbers are not inclusive of any architect fees or other fees charged by licensed professionals (other than general contractors and licensed tradesmen), to perform subsequent installation of electrical, plumbing, and HVAC (heating, ventilation, air conditioning) suitable to the requirements of the Franchised Business and do not include any financial contributions by a landlord. The costs of the furniture and fixtures may differ depending on the material quality and on other factors. Your cost for building-out your office may be higher or lower than the estimates provided but we do not foresee that these variations will be material. Third-party financing may be available for qualified candidates for some of the leasehold improvement costs. However, with such financing comes associated costs and fees, which may cause the cost to exceed what is indicated in this chart.

3) You may have to purchase or lease office furniture and any equipment necessary for providing the various services offered by the Franchised Business, including but not limited to desks, chairs and office lighting. Third-party financing may also be available to qualified candidates. However, this will also generate various leasing or finance fees that may cause these costs to be above the figures reported in this chart.

4) This estimate is comprised of the estimated amount necessary to acquire a computer or computers, either laptop or desktop, with approved hardware and software specifications including, but not limited to, customer relationship management software (Salesforce™), an accounting software package (e.g., QuickBooks) and accompanying facsimile/copy/printer machine. If you elect to perform any form of email marketing campaign, you are required to utilize the services of Constant Contact®. Third-party financing may also be available to qualified candidates; however this will also generate various leasing or finance fees that may cause these costs to be above the figures reported in this chart.

5) This estimate represents rent for three (3) months and a security deposit equal to one (1) month of rent. The low estimate represents a 1,000 square foot facility while the high estimate represents a location with 1,500 square feet. Pre-paid rent is generally non-refundable, while security or other deposits may be refundable either in full or in part, depending upon your lease or rental contract.

6) A credit check may be required by the issuing company prior to the initiation of services, or a higher deposit required for first time customers. These costs will vary and are due to the type of services required for the facility and the municipality from which it is being contracted.

7) This estimate is for the cost of deposit to obtain the minimum required insurance listed in Item 8 of this Franchise Disclosure Document. You will need to check with your local carrier for actual premium quotes and costs as well as the actual cost of any deposit. The cost of coverage will vary based upon the area in which your Franchised Business is located, your experience with the insurance carrier, the loss experience of the carrier, and other factors beyond our control. You should also check with your insurance agent or broker regarding any additional insurance that you may wish to carry.

8) This estimate is for the cost for you or your Operating Principal plus one (1) full-time employee to attend the training program. We do not charge tuition for this training, but you will be responsible for all costs associated with attending the training program for you and your staff. You may request that we

provide initial training for additional employees. We are under no obligation to provide initial training to additional employees. If we agree to provide initial training for additional employees, we may charge you an additional initial training fee. Your costs will depend on the number of people attending training, their point of origin, method of travel, class of accommodation, and living expenses (food, transportation, etc.). The duration of the training program is five (5) days.

9) This estimate is for the cost of wages for your employees for the period preceding and during the opening of your Franchised Business. The low estimate represents that you hire no employees and perform all pre-opening labor yourself, and the high estimate represents two (2) employees working an average of forty (40) hours per week for three (3) weeks.

10) These fees are representative of the costs for engagement of professionals such as attorneys and accountants for the initial review and advice consistent with the start-up of a business. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this Franchise Disclosure Document, and subsequently, the Franchise Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as part of starting your Blue-Grace® Logistics Franchised Business. The estimated rates in this chart are based upon professional fees in the area of Riverview, Florida.

11) You are responsible for applying for, obtaining, and maintaining all required permits and licenses necessary to operate your Franchised Business. The figures represented here reflect the range of expenditure in licenses and permits to open a freight and parcel transportation and shipping company in Florida. This is an estimate of the amount of additional operating capital that you may need to operate your Franchised Business during a three (3) month period that encompasses the opening of your Franchised Business. We cannot guarantee that you will not incur additional expenses in starting the Franchised Business that may exceed this estimate.

12) This estimate also includes such items as initial payroll taxes (including payroll to cover the pre-opening training period for some of your staff), Freight Royalty, Parcel Royalty, Brand Fund Contributions, professional fees, including accounting fees, additional advertising, health and workers' compensation insurance, rent, repairs and maintenance, bank charges, miscellaneous supplies and equipment, initial staff recruiting expenses, state tax and license fees, deposits and prepaid expenses and other miscellaneous items as offset by the revenue you take into your Franchised Business. These items by no means include all of the types of expenses you may incur.

13) This total amount is based upon our affiliates' experience in opening and operating a Blue-Grace® Logistics business and information we have obtained relating to the construction of a commercial office between 1,000 and 1,500 square feet. Your costs may vary based on a number of factors including, but not limited to, the geographic area in which you open, local market conditions, the location selected, the time it takes to build sales and your skills at operating a business. We strongly recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area. We do not provide financing to franchisees either directly or indirectly in connection with their initial investment requirements. The availability and terms of financing obtained from third parties will depend upon such factors as the availability of financing, your credit worthiness, collateral which you may make available, or policies of local lending institutions with respect to the nature of the business.

## **ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

To insure that you maintain the highest degree of consistency, quality and service, we may require you to obtain certain goods, services, supplies, materials and other products only from our designated or approved suppliers, vendors, manufacturers, printers, contractors distributors and carriers, including us or our affiliates ("Suppliers"), who demonstrate to our continuing reasonable satisfaction the ability to meet our then-current standards. We may in our

sole discretion, disclose to you in writing, in the Confidential Operating Manual or otherwise, any specifications on goods, services, supplies, materials and other products by designating approved brands, types, compositions, performance qualities and Suppliers although those specifications will not include any confidential information or trade secrets. You must sell and offer for sale all products and services required by us in the manner and style we require. You must not deviate from our standards and specifications without obtaining our written consent first. We may direct you, in writing at any time and in our sole discretion, to discontinue selling and offering for sale any items, products and services. We can, and we expect to, modify our standards and specifications, as we deem necessary. We will provide you with notice of any changes as they occur.

We currently do not provide you with Freight Services and Specialized Freight Services. We shall pay for the Freight Services and Specialized Freight Services provided to you by the Suppliers of shipping services, which we shall then pass through to you, without fee or additional charge.

We currently do not offer Parcel Services through our own Parcel Services provider. However, in the future we may offer Parcel Services directly to you, and until such time you may utilize your own small parcel provider upon our prior written consent. If you do not offer Parcel Services prior to the introduction of our own Parcel Services provider, then you may only offer Parcel Services through our Parcel Services provider. If you offer Parcel Services prior to our introduction of a Parcel Services provider (as previously approved in writing by us), you will have the option to (i) offer Parcel Services through our Parcel Services provider, or (ii) continue to use your own small parcel provider (as previously approved in writing by us) provided the billings for such are made directly to you (in your own corporate name and in no way using our name) (you will however be entitled to utilize the Blue-Grace Logistics<sup>®</sup> shipping and invoicing technology resources to support the use of your own small parcel provider).

We do not provide you with freight desk management services. Currently, our only approved Supplier of freight desk management services is our affiliate, Blue-Grace Systems LLC. We require all franchisees to enter into the Service Agreement with Blue-Grace Systems LLC unless we determine, in our sole discretion, that a franchisee possesses significant experience in the freight desk management services used in the freight and parcel transportation and shipping industry and the franchisee does not require freight desk management services. See Item 6 for more information.

### **Suppliers:**

If you wish to independently source certain goods, services, supplies, materials and other products from someone other than one of our Suppliers, you must get our prior approval. However, we reserve the right to have some goods, services, supplies, materials and other products sourced exclusively from our Suppliers including a single Supplier or a limited number of Suppliers to achieve uniformity or better pricing, simplify inventory and purchasing or for other legitimate business reasons. This is discussed in greater detail below. Therefore, we do not promise to evaluate or approve alternate suppliers, vendors, manufacturers, printers, contractors and distributors on your request and we may decline to do so.

If we elect to evaluate a proposed supplier, vendor, manufacturer, printer, contractor and distributor (“Proposed Supplier”) at your request, you must provide us with adequate information to evaluate any such Proposed Supplier. We will consider the following factors in our evaluation:

(1) the financial condition and industry performance of the Proposed Supplier; (2) whether the products and customer service provided by the Proposed Supplier meet our specifications and standards; (3) the reputation of the Proposed Supplier for quality and reliability; (4) the frequency and method of delivery of the Proposed Supplier; (5) competitiveness of pricing offered; and (6) whether the products or services offered by the Proposed Supplier add anything to the range of products and services offered or are redundant of existing approved products and services. There are currently no other criteria for approval of Proposed Suppliers. We reserve the right to impose a fee upon prior notification for our evaluation of Proposed Suppliers or required reimbursement of actual or estimated costs to evaluate Proposed Suppliers. If we agree to evaluate a Proposed Supplier, we will approve or disapprove of the Proposed Supplier within thirty (30) days after we receive notice and all information necessary to process your request. If we do not approve the Proposed Supplier within thirty (30) days of our receipt of the above information, the Proposed Supplier is deemed disapproved. We may revoke approval of any Supplier and/or Proposed Supplier for reasonable cause upon written notice to you.

Certain products and/or services may be exclusively supplied by us or our affiliates, including Blue-Grace Systems LLC. Blue-Grace Systems LLC is the exclusive Supplier of freight desk management services. You may be required to purchase other designated products and/or services from us or our affiliates. We and/or our affiliates may, directly or indirectly, derive revenues from the purchase of those products and/or services at that time.

If we and/or our affiliates cannot maintain arrangements with Suppliers, you may be permitted to locate your own suppliers, subject to our approval, in order to remain operational.

In the year ending December 31, 2013, our revenues from the provision of freight desk management services to franchisees was \$0, or 0% of our total revenues of \$2,705,938.00. We estimate that your purchases from us or an affiliate will represent approximately 0% of your total purchases necessary in establishing the Franchised Business and approximately 0% of your expenses in continuing the operation of the Franchised Business.

In the year ending December 31, 2013, Blue-Grace Systems LLC's revenues from the provision of freight desk management services to franchisees was \$41,032.68, or 100% of its total revenues of \$41,032.68. We estimate that your purchases from Blue-Grace Systems LLC will represent approximately 0% of your total purchases necessary in establishing the Franchised Business and, assuming you are required to obtain freight desk management services, approximately 4% of your expenses in continuing the operation of the Franchised Business.

In addition, we estimate that your purchases or leases from Suppliers or otherwise in accordance with our specifications will represent approximately 0% of your total purchases in establishing the Franchised Business and approximately 75% to 90% of your expenses in continuing the operation of the Franchised Business.

We will attempt to negotiate purchasing terms for franchisees from certain Suppliers. We cannot guarantee that any Supplier will offer or continue any particular pricing, warranty or other terms of sale. We will attempt to negotiate a continued supply of products and services from various Suppliers but cannot guarantee a continuing supply from any particular Supplier. We are not under any obligation to you with respect to the terms negotiated or any terms from any Supplier. We cannot guarantee that Suppliers will offer or continue to offer you any trade credit terms as that is solely up to the Supplier and their credit standards. You should be aware that our arrangements with Suppliers may change or be terminated at any time, potentially resulting in

substantial changes or losses of services for your Franchised Business, which could render the Franchised Business severely impaired.

We and our affiliates have not received any revenue from or on account of the sale of any goods or services to franchisees as of the effective date of this Franchise Disclosure Document. We and our affiliates do not currently have any arrangements or agreements with Suppliers to receive any rebates, overrides or other consideration on account of your purchases, but reserve the right to make such arrangements and receive and retain such consideration in the future.

There currently are no purchasing or distribution cooperatives.

We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchases of particular products or services or use of particular suppliers. None of our officers own an interest in any Supplier.

### **Local Advertising:**

If required, all Advertising Materials (defined as business stationery, business cards, advertising plans and materials, marketing plans and materials, promotional plans and materials, sales plans and materials, public relations programs, signs, decorations and paper goods), Social Media Materials and other items we designate must bear the Principal Trademarks in the form, color, location and manner we prescribe and must meet all of our standards and requirements. Your Advertising Materials and Social Media Materials must be prepared in a dignified manner and conform to the standards and requirements that we state periodically or otherwise approved by us in writing.

You must obtain our approval (i) before you use any Advertising Materials and Social Media Materials if we have not prepared or approved the Advertising Materials and/or Social Media Materials within the previous twelve (12) months; and (ii) before you initially use any Social Media Platform. You must submit all unapproved Advertising Materials, Social Media Materials and requests to use Social Media Platforms to us via certified mail or electronic mail. We will approve or disapprove your request within ten (10) days after submission. If you do not receive written approval within ten (10) days after submission of your request for approval, your request will be deemed disapproved. We may withhold our approval of your use of any Advertising Material, Social Media Material or Social Media Platform for any reason and no reason at all. You may not use any unapproved Advertising Material, Social Media Material or Social Media Platform. We have the right to revoke our prior approval of your use of any Advertising Material, Social Media Material or Social Media Platform. You must promptly discontinue use of any Advertising Material, Social Media Material and/or Social Media Platform, whether or not previously approved, on twenty-four (24) hours' notice from us. We have the right to require you to stop, revise, delete or remove any objectionable Social Media Material from any Social Media Platform, as determined by us in our sole discretion, including but not limited to any previously approved Social Media Material.

All Advertising Materials, Social Media Materials and Social Media Platform usage must indicate that you are operating the Franchised Business as an independent operator of a Blue-Grace® Logistics Franchised Business.



## **Computer Software, Hardware and Point of Sale Systems:**

We currently require franchisees to purchase customer relationship management software from Salesforce™. If you elect to perform any form of email marketing campaign, you are required to utilize the services of Constant Contact®. We reserve the right to require you to purchase other specific computer hardware, software and information or communications systems which meet our criteria for design, function and capability and to require you to utilize specific Internet service providers or communications software and other information technology, including back office administrative programs. Currently, we do not require you to obtain any specific brand of computer hardware, software or information or communications systems other than Salesforce™ and Constant Contact®.

You will be required to use the Blue-Grace® Logistics technology resources which will allow you to operate a platform that will help you book, quote, trace and manage your shipments and your Franchised Business. These technology resources are currently provided through our affiliate Blue-Grace Technologies LLC. You will be required to use the Blue-Grace® Logistics technology resources when providing Freight Services, Specialized Freight Services (in most instances) and Parcel Services (if you choose to offer such services).

## **Insurance Coverage:**

Before you open your Franchised Business, you must obtain insurance coverage for the Franchised Business in at least the amounts specified below. This insurance coverage must be maintained during the term of the Franchise Agreement and must be obtained from a responsible carrier or carriers rated “A” or better by A.M. Best & Company, Inc., and be approved by us.

1. Commercial general liability insurance providing coverage on an occurrence basis with limits of not less than \$1,000,000 each occurrence for bodily injury and property damage combined, \$2,000,000 annual general aggregate and \$2,000,000 products and completed operations annual aggregate. All the liability insurance policies must:

(a) include premises and operations liability coverage, products and completed operations liability coverage and broad form property damage coverage including completed operations;

(b) include blanket contractual liability coverage including, to the maximum extent possible, defense costs outside the limits of liability, coverage for your indemnification obligations under the Franchise Agreement;

(c) provide that the insurance company has the duty to defend all parties insured under the policy;

(d) provide that the defense costs are paid in addition to, and not in depletion of, any of the policy limits; and

(e) cover liabilities arising out of or incurred in connection with your use, operation, occupancy, franchising, licensing, leasing or ownership of the franchise.

2. Workers’ compensation insurance or similar insurance as required by the law of the state or jurisdiction in which your Franchised Business is located. This insurance must be

maintained for trainees, as well as for those employed or engaged in the operation of the Franchised Business. This coverage must have a minimum limit of the greater of \$100,000 or the statutory minimum limit.

3. Business interruption insurance to cover your loss of revenues and ongoing expenses and to cover any amounts due and owing to us under the Franchise Agreement (including, in the case of a casualty or loss, the Royalties and fees we would have received had the casualty loss not occurred – based upon the average Royalties and fees for all franchises for that period) or any other agreement between you and us or our affiliates, in an amount not less than the actual loss resulting from an interruption of business, for a minimum of twelve (12) months.

4. Automobile liability coverage, including coverage of owned, non-owned and hired vehicles with coverage in amounts not less than \$500,000 combined single limit per occurrence for bodily injury and property damage or a \$250,000/\$500,000 split limit for you and each employee.

5. Any insurance required by law in the state or locality in which your Franchised Business will operate.

6. For any construction, renovation, remodeling or build-out of your Franchised Business office, you must maintain builder's risk insurance and performance and completion bonds in forms and amounts and written by a carrier or carriers satisfactory to us.

7. Employment practices liability insurance covering claims made by your employees or potential employees including, but not limited to, discrimination, wrongful termination, sexual harassment and other employment related claims.

You may, with our prior written consent, elect to have reasonable deductibles under the coverage required above.

All of the policies must name us, our affiliates and the respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional insured and must include a waiver of subrogation in favor of all parties.

Your insurance policy must require that your insurer furnish us with copies of all notices under your insurance policy at the time when such notices are made. We reserve the right to pay your insurance premiums in the event that you fail to do so. If we pay your insurance premiums, we will require that you reimburse us for any monies we paid on your behalf.

You must deliver certificates of all required insurance to us no later than the business day before you intend to commence operations of the Franchise Business. Each insurance policy must contain a statement by the insurer that the policy will not be cancelled or materially altered without at least thirty (30) days' prior written notice to us. In the event of cancellation of any insurance policy, we require you to purchase a similar insurance policy before the effective date of cancellation so that at all times, you are insured in accordance with our requirements. In the event any insurance policy is subsequently materially altered, that insurance policy must, at all times, remain in compliance with our requirements.

You may not reduce any insurance limit, restrict any insurance coverage or cancel, alter

or amend any insurance policy without our written consent.

If the circumstances require, in our sole discretion, for the protection of you and the Blue-Grace® Logistics System, we may increase or modify the insurance limits noted above and we may require, in our sole discretion, additional types of insurance. If the cost of the above insurance becomes cost prohibitive for you, in our sole discretion, we may modify the insurance requirements, in our sole discretion and in a case by case basis, to provide for lower limits for you until the insurance becomes available at a more reasonable cost, in our sole discretion.

## **ITEM 9. FRANCHISEE’S OBLIGATIONS**

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

<b>Obligation</b>	<b>Article in Agreement or Agreement Location</b>	<b>Item in Franchise Disclosure Document</b>
a. Site Selection and Acquisition/Lease	Article V of the Franchise Agreement	Item 11
b. Pre-Opening Purchases/Leases	Articles V and VII of the Franchise Agreement	Items 6, 7 and 8
c. Site Development and Other Pre-Opening Requirements	Article V of the Franchise Agreement	Item 11
d. Initial and On-Going Training	Article VI of the Franchise Agreement	Item 11
e. Opening	Article VII of the Franchise Agreement	Item 11
f. Fees	Article IV of the Franchise Agreement	Items 5, 6 and 7
g. Compliance with Standards and Policies/ Confidential Operating Manual	Articles VI and VII of the Franchise Agreement	Item 11
h. Principal Trademarks and Proprietary Information	Articles I and XII of the Franchise Agreement	Items 1, 13 and 14
i. Restrictions on Services/Products Offered	Article VI and VII of the Franchise Agreement	Item 8
j. Warranty and Customer Service Requirements	Not applicable	Not applicable
k. Territorial Development and Sales Quotas (Minimum Margin Payments)	Articles II and IV of the Franchise Agreement	Item 12 and 6

l. Ongoing Product/Service Purchases	Articles IV, VI and VII of the Franchise Agreement	Item 8
m. Maintenance, Appearance and Remodeling Requirements	Article VII of the Franchise Agreement	Items 7 and 11
n. Insurance	Article VII of the Franchise Agreement	Items 7 and 8
o. Advertising	Articles IV, VI and VII of the Franchise Agreement	Items 6, 11 and 17
p. Indemnification	Article VII of the Franchise Agreement	Items 6 and 8
q. Owner's Participation/ Management/Staffing	Article VII of the Franchise Agreement	Items 11 and 15
r. Records and Reports	Article VII of the Franchise Agreement	Items 11 and 17
s. Inspections and Audits	Articles VII and XIV of the Franchise Agreement	Items 6, 11 and 17
t. Transfer	Article X of the Franchise Agreement	Item 17
u. Renewal	Article X of the Franchise Agreement	Item 17
v. Post Termination Obligations	Article XIV of the Franchise Agreement	Item 17
w. Non-Competition Covenants	Articles IX and XV of the Franchise Agreement	Item 17
x. Dispute Resolution	Article XXIII of the Franchise Agreement	Item 17
y. Other - Licensing and Legal Compliance	Articles I, V and VII of the Franchise Agreement	Item 1, 7 and 17

## **ITEM 10. FINANCING**

Neither we nor any agent or affiliate offers direct or indirect financing to you, guarantees any note, lease or obligation of yours, or has any practice or intent to sell, assign or discount to a third-party all or any part of any financing arrangement of yours.

Franchisees of the Blue-Grace® Logistics System are eligible for expedited and streamlined SBA (Small Business Administration) loan processing through the SBA's Franchise Registry Program, [www.franchiseregistry.com](http://www.franchiseregistry.com).

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

Except as listed below, Blue-Grace Franchise LLC is not required to provide you with any assistance.

### Pre-Opening Obligations:

Before you open your Franchised Business:

1. We may, in our sole discretion, provide you with site criteria for the location of your Franchised Business. (See Franchise Agreement Sections 5.1 and 6.4(a).)

2. We may review your contract of sale or lease for the location of your Franchised Business. You may not enter into a contract of sale or lease for the location of your Franchised Business without our prior written consent. (See Franchise Agreement Sections 5.4 and 6.4(b).)

3. We will provide a five (5) day training program for you or your Operating Principal and at least one (1) full-time employee, which must be completed prior to the opening of your Franchised Business, without charge. You or your Operating Principal must be trained to operate the Franchised Business. You or your Operating Principal or a full-time employee must manage the operation of your Franchised Business at all times. You may request that we provide initial training for individuals in addition to yourself or your Operating Principal and at least one (1) full-time employee. We are under no obligation to provide initial training to additional individuals. If we agree to provide initial training for individuals in addition to you or your Operating Principal and at least one (1) full-time employee, we may charge you an additional initial training fee. (See Franchise Agreement Sections 7.3 and 6.4(c).)

4. We will loan you a copy of the Confidential Operating Manual, handbooks and other related materials in hard copy, electronic copy or other versions at our option. (See Franchise Agreement Sections 6.1 and 6.4(d).)

5. We may, in our sole discretion, provide you with a list of Suppliers as revised from time-to-time. (See Franchise Agreement Sections 6.3(a) and 6.4(e).)

6. We may, in our sole discretion, establish and enforce System Standards. (See Franchise Agreement Sections 6.4(f) and 7.4.)

7. If we require you to engage in local advertising, marketing and promotional programs or use Social Media Platforms, we may, in our sole discretion, design all Advertising Materials and Social Media Materials used in the System. We will provide standards for all Advertising Materials and Social Media Materials. We may, in our sole discretion make available approved Advertising Materials and Social Media Materials for use by franchisees. (See Franchise Agreement Sections 6.4(g), 7.10(b) and 7.10(f).)

8. We may, in our sole discretion, provide you with business forms to be used in the operation of the Franchised Business. (See Franchise Agreement Sections 6.4(h).)

9. We will specify minimum policy limits for certain types of insurance coverage. (See Franchise Agreement Sections 6.4(i) and 7.13.)

10. We will provide you with secure passwords to gain access to the Blue-Grace® Logistics technology resources. (See Franchise Agreement Section 6.4(j).)

**Lease Requirements:**

You must purchase or lease a commercial office from which you will operate your Franchised Business. We may, in our sole discretion, provide you with site criteria for the location of your Franchised Business. You must submit to us any proposed site for your Franchised Business for our evaluation and respond to any objections raised by our evaluation before you acquire the site. You must also submit to us for our review any contract of sale or lease for the Franchised Business location before you sign the contract or lease. You may not enter into a lease or contract of sale for the Franchised Business location without our prior written consent. Unless we consent in writing to exclude any required provision, any lease must include the following terms and conditions:

1. That the premises will be used exclusively for the operation of the Franchised Business;
2. That the lessor consents to the use of the Principal Trademarks, signs, décor, color scheme and related components of the System as we may prescribe;
3. That the lessor agrees to furnish us with copies of all notices under the lease and at such time that such notices are made; and
4. That you may not sublease or assign all or any part of your rights or extend the term of or renew the lease, without prior written consent, which will not be unreasonably withheld.

We recommend that you work with your own independent advisors in determining if the location of your Franchised Business meets your standards as well as ours. We will require you to hold us harmless from any claim arising from the lease.

**Post-Opening Assistance:**

1. We may, in our sole discretion, invite you to attend any meetings with our personnel and other Blue-Grace® Logistics franchise owners, including but not limited to a mandatory attendance at an annual franchise meeting, when and if these meetings occur, to be determined in our discretion. (See Franchise Agreement Section 6.5(a).)
2. We may, in our sole discretion, periodically and upon advance notice provide you or your Operating Principal and your employee(s) with additional training including, but not limited to, sales development assistance at our office or at another facility designated by us, which could include your office after your Franchised Business has begun operating. (See Franchise Agreement Sections 6.2(c) and 6.5(b).) Franchisor may charge an additional training fee for the training of additional personnel at a rate of \$1,000.00 per day plus costs and expenses incurred upon advanced notification to franchisee, and franchisee shall pay for all travel, room and board and living expenses which franchisee or its Operating Principal and franchisee's employees incur as well as franchisee's employees' wages and workers' compensation insurance while training.
3. We may, in our sole discretion, provide periodic counseling to you in the operation of your Franchise Business. This periodic counseling may be provided individually or

in a group setting. This periodic counseling may be provided in person, via telephone, seminar, newsletter or bulletins, an intranet, or any other method selected by us. (See Franchise Agreement Section 6.5(c).)

4. We may, in our sole discretion, provide you with field support services, subject to the availability of our trained personnel. (See Franchise Agreement Section 6.5(d).)

5. We will provide you with an email account for your Franchised Business. You are prohibited from maintaining and operating a website for your Franchised Business. We may, in our sole discretion, host a sub-site that includes information about your Franchised Business. (See Franchise Agreement Section 6.5(e).)

6. We will provide you with access to your sales records and reports maintained by us or our affiliates. (See Franchise Agreement Section 6.5(f).)

7. We will maintain the Blue Grace® Logistics technology resources. (See Franchise Agreement Section 6.5(g).)

8. Unless not required by us, you must enter into a Service Agreement with Blue-Grace Systems LLC for freight transportation and shipping freight desk management services and we will continue to provide such services until such time that we determine in our reasonable discussion that such services are no longer needed. (See Franchise Agreement Section 4.6 and Service Agreement as Exhibit 4 to the Franchise Agreement.)

#### **Brand Fund:**

We reserve the right to institute, maintain and administer a separate fund for the purpose of conducting advertising, marketing and promotional programs and for using Social Media Platforms as we in our sole discretion may deem necessary to enhance, promote and protect the goodwill and public image of the System (“Brand Fund”). There is no Brand Fund as of the effective date of this Franchise Disclosure Document. In the event a Brand Fund is instituted, the following requirements will apply. We reserve the right to contribute or loan additional funds to the Brand Fund on any terms we deem reasonable. We will direct all such programs, with sole discretion over all operational and advertising decisions, including:

1. the creative concepts, materials, endorsements and media used in connection with such programs (which may include television, radio, print and Internet advertising, maintenance of a website as well as the use of Social Media Platforms, as funds permit);

2. the source of the advertising, marketing, promotional or public relations efforts (which may be in-house or through an outside agency located locally, regionally or nationally);

3. the placement and allocation of such programs (which will be local, regional or national); and

4. the composition of all geographic territories and market areas for the development and implementation of such programs.

The Brand Fund may be used in any of the following ways:

1. to create and implement Advertising Materials and Social Media Materials, in any

form that we may, in our sole discretion, determine;

2. to assist franchisees in developing Advertising Materials and Social Media Materials as well as in using Social Media Platforms;
3. in connection with the use of radio, television, print, sports and cable programs, other forms of production and media as well as Social Media Platforms;
4. to review any and all locally produced Advertising Materials and Social Media Materials;
5. for purposes of website design and maintenance and to optimize the search engine;
6. to conduct market research;
7. to undertake sponsorships;
8. to pay related retainers;
9. to conduct customer surveys and customer interviews;
10. to retain celebrities for endorsement purposes;
11. to pay membership dues to associations; and
12. to establish a third-party facility to customize Advertising Materials and Social Media Materials.

All franchisees will make the same contribution to the Brand Fund. We are responsible for administering the Brand Fund. Advertising Materials and Social Media Materials, if developed, will be sold to franchisees at cost. We may receive payment for providing goods or services to the Brand Fund. We are not required to spend any amount on advertising, marketing or promotional programs or Social Media Platforms directly in the area where you are located, or to spend pro rata with your individual Brand Fund Contribution. We may use the Brand Fund to reimburse us or our affiliates for salaries, overhead and administrative expenses relating to advertising, marketing and/or promotional programs, Advertising Materials, Social Media Materials and Social Media Platforms intended to benefit the System, including, but not limited to, costs relating to maintaining the Blue-Grace® Logistics website.

Any unused portion of the Brand Fund in any calendar year or earnings on sales of Advertising Materials and Social Media Materials will be applied to the following year's Brand Fund. The Brand Fund may periodically be used to assist franchisees to maintain high quality standards through customer surveys and interviews. As indicated in Item 6 above, you will be required to contribute up to one percent (1%) of your Gross Revenues to the Brand Fund. The required amount for your Local Advertising Payments, if required, and your Brand Fund Contribution together will not exceed one percent (1%) of your Gross Revenues. There is no requirement for the Brand Fund to be independently audited. We will make an unaudited annual account available to you once a year, upon request, within one hundred and twenty (120) days after our fiscal year ends.

Our and/or affiliate owned units may contribute to the Brand Fund at a rate equal to the



then-current Brand Fund Contribution rate required of franchisees. We reserve the right to discontinue the Brand Fund but we will not do so until the Brand Fund has either been expended or returned to franchisees, in our sole discretion. We will have no fiduciary duty with respect to the Brand Fund and we will administer the Brand Fund as an accommodation to franchisees and the System only.

We will not use the Brand Fund to principally solicit new franchise sales.

We are not required to provide any other service or assistance to you for the continuing operation of your Franchised Business.

**Local Advertising:**

Generally, you will market your Franchised Business through personal face-to-face meetings held between your sales team and individuals and/or businesses. We currently do not require you to conduct any local advertising, marketing or promotional programs. However, we reserve the right to require you to spend up to one percent (1%) of your annual Gross Revenues of the preceding calendar year on Local Advertising Payments, as described in footnote 8 of Item 6. Your Local Advertising Payments will be in an amount when added to the Brand Fund Contribution equals one (1%) percent of your Gross Revenues. Upon request, you must submit proof of expenditures to us. If you begin operating within a calendar year, your Local Advertising Payments shall begin during your first full calendar year, and the amounts to be paid during your first full calendar year will be based upon your Gross Revenues for the preceding partial calendar year adjusted on an annualized basis. Any discrepancy between our estimate and the actual Local Advertising Amount incurred for the first year will be credited against or added to the amount required to be incurred for the second year.

In the event that you fail to make your required local advertising, marketing and/or promotional expenditures, we reserve the right to require you to contribute to the Brand Fund any amount required but not spent by you on local advertising, marketing and/or promotional programs. All advertising, marketing and promotional programs will be conducted in accordance with the reasonable discretion of franchisee in an approved annual marketing plan.

Costs and expenditures you incur for any of the following are excluded from your local advertising, marketing and promotional program expenditures:

- (i) salaries and expenses of your employees, including salaries or expense for attendance at advertising meetings or activities;
- (ii) the cost of your fixtures or equipment;
- (iii) seminar and educational costs and expenses of your employees; and
- (iv) your expenditures relating to the use of Social Media Platforms and/or the development and/or use of Social Media Materials.

You are required, at your expense, to obtain and maintain at the location of your Franchised Business Advertising Materials of the kind and size as we may, from time-to-time, require.

If required, all Advertising Materials, Social Media Materials and other items we

designate must bear the Principal Trademarks in the form, color, location and manner we prescribe and must meet all of our standards and requirements. Your Advertising Materials and Social Media Materials must be prepared in a dignified manner and conform to the standards and requirements that we state periodically or otherwise approved by us in writing.

You must obtain our approval: (i) before you use any Advertising Materials and Social Media Materials if we have not prepared or approved the Advertising Materials and/or Social Media Materials within the previous twelve (12) months; and (ii) before you initially use any Social Media Platform. You must submit all unapproved Advertising Materials, Social Media Materials and requests to use Social Media Platforms to us via certified mail or electronic mail. We will approve or disapprove your request within ten (10) days after submission. If you do not receive written approval within ten (10) days after submission of your request for approval, your request will be deemed disapproved. We may withhold our approval of your use of any Advertising Material, Social Media Material or Social Media Platform for any reason and no reason at all. You may not use any unapproved Advertising Material, Social Media Material or Social Media Platform. We have the right to revoke our prior approval of your use of any Advertising Material, Social Media Material or Social Media Platform. You must promptly discontinue use of any Advertising Material, Social Media Material and/or Social Media Platform, whether or not previously approved, on twenty-four (24) hours' notice from us. We have the right to require you to stop, revise, delete or remove any objectionable Social Media Material from any Social Media Platform, as determined by us in our sole discretion, including but not limited to any previously approved Social Media Material.

All Advertising Materials, Social Media Materials and Social Media Platform usage must indicate that you are operating the Franchised Business as an independent franchisee of ours.

Except in the case of a minor violation that we, in our sole discretion, determine that you can immediately cure, you must pay to the Brand Fund the amount of five thousand (\$5,000) dollars in liquidated damages for failing to obtain approval or authorization of any Advertising Material, Social Media Material or use of any Social Media Platform.

You will not employ any person to act as your representative in connection with local advertising, marketing and/or promotion of your Franchised Business in any public media without our prior written approval.

There are currently no advertising cooperatives in our System. There is currently no advertising council composed of franchisees.

### **Opening and Site Selection:**

You must select the site for your Franchised Business subject to our consent. We do not have any obligation to locate a site for your Franchised Business.

Before leasing or purchasing the site for the Franchised Business, you must submit to us, in the form we specify, a description of the site, together with other evidence that confirms your favorable prospects for obtaining the site. You must submit the information and materials for the proposed site to us no later than thirty (30) days prior to execution of the applicable lease or purchase agreement. We will have five (5) days after we receive this information and materials to evaluate the proposed site, and if we do not approve the proposed site within five (5) days after receipt the proposed site shall be deemed disapproved. You must submit to us for our

review any sale or lease contract before you sign it. If you fail to open within one hundred twenty (120) days after executing the Franchise Agreement, we may terminate the Franchise Agreement. There are no other consequences if we cannot agree on a site for your Franchised Business.

In reviewing the proposed location for the Franchised Business, we may consider any factor we determine relevant, including, but not limited to, the following site selection guidelines: general location, quality of the neighborhood, traffic patterns, available parking, physical characteristics of the premises, the rental or sale terms of the agreement, the duration of the lease and applicable zoning restrictions. We may, in our sole discretion, consult with you on our current site selection guidelines and provide other site selection counseling, as we deem advisable.

Although we may, in our sole discretion, consult with you on your site, you have the ultimate responsibility in choosing, obtaining and developing the site for your Franchised Business. If we consult with you, our consultation is not a promise or guarantee that the Franchised Business operated at your site will be successful. We recommend that you seek the advice of your own independent advisors in determining if the site meets both our and your standards.

We estimate that the time from the signing of the Franchise Agreement to the opening of the Franchised Business will be approximately sixty (60) to one hundred and twenty (120) days. The Franchise Agreement requires you to open the Franchised Business and begin operating no later than one hundred and twenty (120) days after signing the Franchise Agreement, unless you obtain a written extension of this time period from us. If you do not open a commercial office within one hundred and twenty (120) days after signing the Franchise Agreement, unless you obtain a written extension of this time period from us, we will charge you a late office opening fee. See Item 6 for more information. If you do not open the Franchised Business and begin operating within one hundred and twenty (120) days after signing the Franchise Agreement, unless you obtain a written extension of this time period from us, we may also terminate the Franchise Agreement.

You may not relocate the Franchised Business without our prior consent, which may be withheld by us in our sole discretion for whatever reason we determine or no reason at all.

### **Computer Software and Hardware:**

We may require you to obtain and maintain computer hardware and software that meets our specifications for your Franchised Business. We currently require franchisees to purchase customer relationship management software from Salesforce<sup>™</sup>, which allows you to manage your prospective and existing customers in one integrated database. Also, if you elect to perform any form of email marketing campaign, you are required to utilize the services of Constant Contact®. You will also need to obtain an accounting software package of your choice (e.g., QuickBooks). Currently, we do not require you to obtain any specific brand of computer hardware, software and information or communications systems other than Salesforce<sup>™</sup> and Constant Contact®. Your computer system must be able to access the Blue-Grace® Logistics technology resources that allow you to operate a platform that will help you book, quote, trace and manage your shipments, and must be able to run software that we may, in our sole discretion, require you to use in the operation of your Franchised Business. A high-speed connection to the Internet is mandatory for your Franchised Business. We may require that you

use specified communications software. Depending on the number of computer users in your Franchised Business, we anticipate the cost to purchase or lease your computer system will range from approximately \$1,750.00 to \$3,000.00.

You must maintain, upgrade and update your hardware, software and Internet service during the term of the franchise, as we determine without limitation, at your expense. You are solely responsible for protecting yourself from viruses, computer hackers and other computer-related problems and we shall not be liable for any harm caused by such computer-related problems. We cannot estimate the cost of maintaining, updating or upgrading your hardware, software and Internet service because it will depend on your repair history, local costs of computer maintenance services in your area and technological advances that we cannot predict at this time.

If we so choose in the future, you must use hardware and software, including administrative software, which accommodates an online system that gives us access to your business records via the Internet. You must allow us to establish and maintain communication with your computer system via a dedicated data transmission line to retrieve information related to sales, customer and financial data, as required by us. We will have the right to access your computer system remotely for the purposes in the previous sentence and in the manner, form and at the times we may require. All information derived from or pertaining to the Franchised Business shall be our property and we will have the right to use such information in any manner that we deem appropriate without compensation to you. You must provide us with any user identification and/or password necessary for us to gain access via the Internet to your computer system and the records contained in your computer system.

### **Table of Contents:**

Attached to this Franchise Disclosure Document as Exhibit C is the Table of Contents for our Confidential Operating Manual. The Table of Contents will state the number of pages devoted to each subject contained in the Confidential Operating Manual. The total number of pages in the Confidential Operating Manual is 423. Currently the Confidential Operating Manual is only available in electronic form and will be updated periodically.

### **Training Program:**

We will provide initial training at no cost for tuition and training materials to you or your Operating Principal and at least one (1) full-time employee for your Franchised Business. You are responsible for training your management and sales personnel. You may request that we provide initial training for individuals in addition to yourself or your Operating Principal and at least one (1) full-time employee. We are under no obligation to provide initial training to additional individuals. If we agree to provide initial training for individuals in addition to you or your Operating Principal and at least one (1) full-time employee, we may charge you an additional initial training fee. See Item 6 for more information.

You or your Operating Principal or a full-time employee must manage the day-to-day operation of your Franchised Business at all times.

The training program will be held at one of our offices located at 2846 S. Falkenburg Rd., Riverview, FL 33578, or another facility designated by us. The initial training program will be comprised of a five (5) day operations training program. You must complete training to our

satisfaction. Failure to complete training to our satisfaction is a justification for terminating your Franchise Agreement.

### TRAINING PROGRAM

<u>Subject</u>	<u>Hours of Classroom Training</u>	<u>Hours of on the Job Training</u>	<u>Location</u>
Day 1			
Freight and Logistics 101/102	8.0	-	Riverview, Florida
Day 2			
Blue-Grace's Services, Processes and Procedures	8.0	-	Riverview, Florida
Day 3			
Freight Sales Techniques	8.0	-	Riverview, Florida
Day 4			
Blue-Grace's Systems and Technologies	8.0	-	Riverview, Florida
Day 5			
Advanced Freight Sales Techniques	8.0	-	Riverview, Florida
<b>Totals</b>	<b>40.0</b>	<b>0</b>	

We reserve the right to amend, modify, supplement, vary and/or delete any portion of the contents of the initial training program.

The initial training program will be conducted by qualified personnel, each with an average of over 10 years of experience for specific areas of interest like operations, marketing, customer service, budgeting, finance, sales, pricing and other areas of training. The instructors have experience with the franchisor averaging at least 3 years. These instructors will include managers, supervisors and consultants, whose services we may retain for specific training courses. No other formal training staff is maintained at present.

We intend to conduct the initial training program approximately once a month (or more frequently, if needed). The materials used for this training program may include the Confidential Operating Manual, software applications, and/or handouts and other hands-on materials.

### **ITEM 12. TERRITORY**

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own or are owned by our affiliates or from other channels of distribution or competitive brands that we control. Your Blue-Grace® Logistics Franchised Business will permit you to operate one Blue-Grace® Logistics office from which you will have the right to sell Freight Services, Specialized Freight Services and Parcel Services (if available) under the name Blue-Grace® Logistics to businesses and individuals in accordance with the System Standards established by us. Each manager, employee, consultant, representative, or agent of the Franchised Business must work out of or be located within a reasonably commutable distance from the office location unless otherwise exempted by the Franchisor in its sole discretion.

Accordingly and without limitation, we reserve the right for ourselves and our affiliates to use alternative methods of distribution, including the internet, under our trademarks or different trademarks and to conduct any activity not specifically granted to you in the franchise agreement without any compensation to you, including but not limited to:

1. Granting and establishing franchises or licenses that may solicit and accept orders for Freight Services, Specialized Freight Services or Parcel Services from anywhere, including near or next to your Franchised Business location, shipping anywhere, including near your Franchised Business location, which may be generated through any means, including, but not limited to telesales, Internet sales, direct sales, co-branding efforts, catalogue sales, the establishment of non-traditional locations and any other channel of distribution;

2. Establishing a business and soliciting and accepting orders for Freight Services, Specialized Freight Services or Parcel Services from anywhere, including near your Franchised Business location, shipping anywhere, including near your Franchised Business location, which may be generated through any means, including, but not limited to telesales, Internet sales, direct sales and any other channel of distribution;

3. Providing freight desk management services and the Blue-Grace® Logistics technology resources to third parties located anywhere, including near your Franchised Business location, who may or may not compete with you; and

4. Establishing any business located anywhere, including near your Franchised Business location, that may or may not utilize the Principal Trademarks, which may or may not compete with you.

Other franchisees are permitted to solicit sales, engage in advertising, marketing and promotional programs, and accept orders from anywhere, including near your Franchised Business location. You may solicit sales, engage in advertising, marketing and promotional programs, and accept orders from anywhere without any restrictions. There are no restrictions on you concerning soliciting or accepting orders from consumers located anywhere.

In the event that we acquire an established franchised system that uses different primary service marks, trademarks or trade names: (i) we will have the unrestricted right to convert the existing business to the Blue-Grace® Logistics System; or (ii) if the business is not converted to the Blue-Grace® Logistics System, we reserve the right to allow it to operate and receive the services provided to Blue-Grace® Logistics franchisees. Franchisees are not provided any options, rights of first refusal or similar rights to acquire additional franchises.

You may not relocate your franchised business without our prior written consent. We will approve your relocation if your proposed site meets our then-current site criteria. You will have no right to establish additional franchised outlets without our prior written consent.

### **ITEM 13. TRADEMARKS**

We grant you the right to operate your Franchised Business under the name “Blue-Grace® Logistics” and to use all of the Principal Trademarks identified below in the operation of your Franchised Business. The term “Principal Trademarks” as used in this Franchise Disclosure Document means the symbols, trademarks, service marks, logos, trade names, emblems and

indicia of origin that we will license to you. Blue-Grace I.P. LLC owns the Principal Trademarks and licenses to us the rights to use the Principal Trademarks and to sublicense them to our franchisees through a Trademark License Agreement with Royalty dated October 25, 2010, which provides for a one (1) year term that automatically renews each year for consecutive one (1) years terms.

The following is a description of our registered Principal Trademarks:

PRINCIPAL TRADEMARK	REGISTRATION NUMBER	REGISTRATION DATE
BLUE GRACE LOGISTICS word mark plus DESIGN	3,748,784	February 16, 2010
BG word mark plus DESIGN	3,798,456	June 8, 2010
BLUEGRACE word mark	3,997,591	July 19, 2011

You must follow our rules when you use the Principal Trademarks. You cannot use any part of the Principal Trademarks as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use any of the Principal Trademarks, in whole or in part, in connection with the sale of an unauthorized product or service or in any manner not authorized by us.

There are no existing or pending material determinations of the US Patent and Trademark Office, Trademark Trial and Appeal Board, the Trademark Administrators of Florida or any state, or any court, no pending infringement, opposition or cancellation actions nor any pending material litigation involving the Principal Trademarks. Blue-Grace I.P. LLC has filed all required affidavits.

The Franchise Agreement will require you to notify us of the use of or claims of rights to our Principal Trademarks identified above or a mark confusingly similar to our Principal Trademarks. We will take affirmative actions as we deem necessary when notified of these uses or claims. We will remain in control of any such proceeding. We will indemnify and hold you harmless for any expense associated with a claim made against you relating to the use of the Principal Trademarks by you, unless the claim is based upon your misuse of the Principal Trademarks in a manner not permitted under the Franchise Agreement.

We know of no superior prior rights or infringing uses that materially affect your use of the Principal Trademarks in any jurisdiction. There are no agreements currently in effect that significantly limit our rights to use or license the use of the Principal Trademarks in any manner material to your Franchised Business.

We reserve the right to modify or change the Principal Trademarks and compel you to accept and adopt such modifications or changes at your expense.

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

We claim copyright protection covering various materials used in our business and the development and operation of franchised businesses including the Confidential Operating Manual, Advertising Materials, Social Media Materials and similar materials associated with the System and all materials presented to potential customers, printed materials and forms associated

with the operation of a Blue-Grace® Logistics franchised business. We have not registered these materials with the U.S. Registrar of Copyrights but we are not required to do so. There are no currently effective determinations of the U.S. Copyright Office or any court or any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our right to use or allow franchisees to use the copyrighted materials. We know of no superior rights or infringing uses that could materially affect your use of the copyrighted materials.

The Franchise Agreement will require you to notify us of the use of or claims or rights to our proprietary information. We will take affirmative action as we deem necessary when notified of these uses or claims. We will remain in control of any such proceeding. We will indemnify and hold you harmless for any expense associated with a claim made against you relating to the use of our proprietary information, unless the claim is based upon your misuse of our proprietary information in a manner not permitted under the Franchise Agreement.

If you or your Owners, as defined in the Franchise Agreement, develop any new concept, process, product or improvement in operating or promoting the Franchised Business, you must promptly notify us and provide us with any information, samples or instructions we request, without charge. Such new concept process, product or improvement will become our exclusive property if we approve it for use in the System. We may then freely distribute such concept process, product or improvement to other franchisees without compensation to you.

#### **ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS**

We require that you, the franchisee, or your Operating Principal or designated full-time operating manager personally supervise the day-to-day activities of your Franchised Business. If you hire a full-time employee to manage the day-to-day operations of your Franchised Business, that full-time employee must successfully complete our training program and any required additional training, if required.

Franchisee shall require any individual to whom Confidential Information is disclosed, or if a corporation, limited liability company or partnership, its officers, directors, shareholders, employees, agents, subsidiaries and affiliates to execute a Confidentiality, Non-Use and Non-Competition Agreement.

We require that the Owners of the franchisee sign a guarantee, a form of which is attached as Exhibit 9 to the Franchise Agreement.

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

You must sell and offer for sale all products and services elected by you in the manner required by us. You may not offer or sell any services that we have not specifically authorized, including Parcel Services without the appropriate notice. You will not engage in any such activities, nor divert any business or customers to non-affiliated businesses, including those owned by you. We may periodically eliminate certain products and services, or add additional products and/or services, in either case in our sole discretion and without the necessity of further notice to you. You will not use the location for your Franchised Business for the sale or displaying of any items that promote illegal activity or any other product or services that we decide, in our sole discretion, may adversely affect the public's acceptance, favorable reputation



or extensive goodwill associated with the Blue-Grace® Logistics name, brands and Principal Trademarks.

We reserve the right to prohibit you from offering Freight Services or Specialized Freight Services for any freight shipment or customer, in our reasonable discretion after consultations with you. We will exercise our discretion based on your and/or your customer's credit worthiness and payment history, existing credit guidelines then in place and the size of the customer and/or shipment, among other factors.

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

**THE FRANCHISE RELATIONSHIP**

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

<u>Provision</u>	<u>Article in Franchise Agreement</u>	<u>Section in Service Agreement</u>	<u>Summary (FA = Franchise Agreement; SA = Service Agreement)</u>
a. Length of the Franchise Term	Article III	Section 2	<u>FA</u> : Five (5) years from the date of your Franchise Agreement. <u>SA</u> : For duration of the Franchise Agreement.
b. Renewal or Extension of the Term	Article III		The franchise may be renewed for an unlimited number of additional consecutive five (5) year terms.
c. Requirements for Franchisee to Renew or Extend	Article III		Requirements include, among others: (i) during the entire term of your Franchise Agreement you must have substantially complied with its terms; (ii) you must execute the then-current Franchise Agreement, which may have materially different terms than the Franchise Agreement for your first Franchised Business; (iii) you must bring the Franchised Business in full compliance with our then-current specifications and standards for new Blue-Grace® Logistics franchises; (iv) you must meet any new current training requirements; (v) you must have satisfied all monetary obligations to us, our affiliates and/or Suppliers; (vi) you and your Owners must execute a general release in favor of us, our affiliates and their respective owners, officers, directors, agents and employees; (vii) you must give us not more than nine (9) months and not less than six (6) months written notice; (viii) you

			<p>must pay us a successor agreement fee in the amount of \$5,000.00; (ix) you must maintain all relevant licenses and permits necessary for the operation of the Franchised Business; and (x) you must enter into a lease for the location of the Franchised Business for the duration or a portion of the successor term. Renewal of the Franchise Agreement means signing the then-current franchise agreement, which may contain materially different terms and conditions than those contained in the Franchise Agreement attached as Exhibit B to this Franchise Disclosure Document.</p>
d. Termination by Franchisee	Article XIV	Section 3	<p><u>FA</u>: You may terminate your Franchise Agreement with our written consent or on any grounds available by law; when terminated, you will be required to pay all outstanding obligations, which may include payment of liquidated damages.</p> <p><u>SA</u>: You may terminate the Service Agreement only with our written consent, which may be granted or withheld in our sole discretion.</p>
e. Termination by Franchisor without Cause	Not applicable	Section 3	<p><u>FA</u>: We will not terminate without cause.</p> <p><u>SA</u>: We or our affiliate Blue-Grace Systems LLC may terminate the Service Agreement at any time we/they determine in our/their sole discretion that the services provided thereunder are no longer needed, written notice thereof being given thirty (30) days in advance.</p>
f. Termination by Franchisor with Cause	Article XIV	Section 3	<p><u>FA</u>: Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination. We may terminate your Franchise Agreement if you default under the Franchise Agreement or any other agreement with us, our affiliates or other third parties.</p> <p><u>SA</u>: Our affiliate Blue-Grace Systems LLC may terminate the Service Agreement on ten (10) business days written notice (1) upon a default of any of your obligations thereunder; or (2) in the event that you default under the Franchise Agreement and fail to cure such default within the cure period provided by the Franchise Agreement, if any.</p>
g. "Cause" Defined –	Article XIV		<p>Curable defaults, which must be cured on ten (10) days' written notice, unless stated otherwise</p>

Curable Defaults		<p>in the Franchise Agreement or as otherwise provided by law, including, among others: (i) failure to maintain required insurance; (ii) failure to maintain licenses or certificates; (iii) non-payment within the time period required; (iv) failure to provide reports and information when required; (v) violation of transfer requirements; (vi) failure to develop, open and operate the location within the time period required; (vii) failure to complete training; (viii) abandonment of business; (ix) makes or attempts an unauthorized transfer of the Franchise Agreement or an ownership interest of the Franchised Business; (x) failure to comply with laws; (xi) failure to meet any other obligation of the Franchise Agreement, the Confidential Operating Manual or otherwise established in writing by us; (xii) Franchisee defaults under any mortgage, deed of trust or lease with any third-party covering the Franchised Business location; such party treats such act or omission as a default; and you fail to cure such default to the satisfaction of such third-party within any applicable cure period granted to you by the third-party; and (xiii) you or your guarantors default in any other agreement with us, our Supplier(s) or vendor(s) and such default is not cured within the time permitted.</p>
h. "Cause" Defined – Non-Curable Defaults	Article XIV	<p>Non-curable defaults include, among others: (i) material false statements or reports; (ii) underreporting of Gross Revenues, Freight Gross Revenues, Specialized Freight Services Gross Revenues, Parcel Gross Revenues, Freight Gross Margin or Specialized Freight Gross Margin by five percent (5%) or more in any report or statement or by two percent (2%) or more in any three (3) reports or statements during any thirty-six (36) month period; (iii) unauthorized business activity; (iv) conviction or plea of no contest to a felony or certain other crimes; (v) engaging in dishonest or unethical conduct which adversely affects our reputation or goodwill; (vi) failure to pay when due federal or state income, service, sales or other taxes; (vii) repeated events of default; (viii) insolvency or bankruptcy; (ix) operating at a risk to public safety or health; (x) breach of the Confidentiality, Non-Use and Non-Competition Agreement; (xi) breach of requirements relating to proprietary information or Principal</p>

			<p>Trademarks; (xii) you (or any of your Owners) knowingly make any unauthorized use or disclosure of any part of the Confidential Operating Manual or any other Confidential Information; (xiii) you (or any of your Owners) fail to pay any financial obligation owed to any lending institution that provided financing to you under an arrangement with us within thirty (30) days of when due; (xiv) you relocate or attempt to relocate the Franchised Business without our prior written consent; and (xv) franchisor is no longer able to make Suppliers available so that the Franchised Business is effectively rendered inoperable, in franchisor's determination made in its sole discretion.</p>
<p>i. Franchisee's Obligations on Termination/ Nonrenewal</p>	<p>Article XIV</p>	<p>Section 9</p>	<p><u>FA</u>: Obligations include, among others: (i) you must pay all sums owed to us, including any Royalties, if applicable, Brand Fund Contributions or other fees, all outstanding obligations, liquidated damages, expenses, attorney's fees incurred as a result of your default; (ii) cease to be a franchisee of Blue-Grace® Logistics; (iii) cease operating the business or any other business under the Principal Trademarks or confusingly similar marks; (iv) refrain from representing to the public that you are or were a Blue-Grace® Logistics franchisee; (v) refrain from using in advertising, marketing, promotion or in any manner, any methods, procedures or techniques associated with the System; (vi) cancel any assumed name that contains Blue Grace® Logistics, within fifteen (15) days; (vii) de-identify the Franchised Business by making all physical changes to the location including trade dress, décor, physical characteristics, color combination, signage, uniforms, etc. necessary to assure that customers do not believe the business is part of the System including returning any signs to us (at our request we are permitted, as provided by the Franchise Agreement, to enter the premises at any time to make required changes at your risk and expense without liability of trespass); (viii) cease using and will return to us the following: the Confidential Operating Manual, training materials, the Blue-Grace® Logistics technology resources, proprietary information, database material, customer lists, records, files,</p>

			<p>instructions, forms, Advertising Materials, Social Media Materials and related items which bear the Principal Trademarks, all trade secrets and confidential material, and any copies, equipment and other property owned by us or our affiliates; (ix) comply with the Confidentiality, Non-Use and Non-Competition Agreement and all other post-term covenants; (x) notify the telephone company, telephone directories, Internet and website listing services and directories, websites, URLs, domain name registers, email hosts or providers and Social Media Platforms of the termination or expiration of your right to use them; (xi) allow us to utilize the Assignment of Telephone and Internet Listings and Advertisements attached to the Franchise Agreement as Exhibit 8; (xii) transfer to us all telephone numbers, website addresses, URLs, domain names, email addresses, Social Media Platform accounts and other similar listings; (xiii) take all actions necessary to effectuate the forwarding of all calls and Internet and website searches to telephone number(s), website(s) and URL(s) we designate; (xiv) transfer to us all customer lists and any customer data, in whatever form, maintained by you; (xv) provide us with evidence of your compliance with your post-termination obligations; and (xvi) refrain from taking any actions to thwart us from enforcing our rights as a secured party, if applicable.</p> <p><u>SA</u>: Upon the expiration or termination of the Service Agreement, you must return to Blue-Grace Systems LLC all of its confidential and proprietary information and shall not disclose that confidential and proprietary information to any third party.</p>
<p>j. Assignment of Contract by Franchisor</p>	<p>Article X</p>	<p>Section 10</p>	<p><u>FA</u>: We have the right to transfer or assign the Franchise Agreement to any person or entity, including a competitor, without restriction. However, no assignment will be made except to an assignee who in our good faith and judgment is willing and financially able to assume our obligations under the Franchise Agreement.</p> <p><u>SA</u>: You cannot voluntarily or by operation of law assign or otherwise transfer your respective rights or obligations under the Service Agreement without the prior written consent of</p>

			Blue-Grace Systems LLC, which may be withheld for any reason or for no stated reason.
k. "Transfer" by Franchisee Defined	Article X		Includes the sale, assignment, conveyance, pledge, mortgage or other encumbrance of any interest in the Franchise Agreement, the Franchised Business or you (if the franchisee is a business entity).
l. Franchisor Approval of Transfer by Franchisee	Article X		You must obtain our prior written consent before transferring any interest in the assets of the Franchised Business or you (if the franchisee is a business entity).
m. Conditions for Franchisor Approval of Transfer	Article X		Conditions include, among other things: (i) you must notify us of the proposed transfer and provide us with the terms of the proposed transfer; (ii) transferee (or its owners) must possess sufficient business experience and financial resources to operate the Franchised Business; (iii) you must pay all debts and obligations to us, our affiliates and Suppliers, must also cure any breach of the Franchise Agreement or any other agreement between you and us or our affiliates and you must have satisfied all obligations under the Franchise Agreement or any other agreement between you and us, our affiliates, any third-party vendor and any lenders who provide you with financing pursuant to an arrangement with us, our affiliates or our suppliers; (iv) transferee (and its owners) must not have an ownership interest in a competing business; (v) transferee (or its operating principal) and at least one (1) full-time employee must attend a five (5) day training course at the then-current training rate; (vi) your landlord consents to the assignment or sublease of the Franchised Business location to transferee; (vii) transferee must enter the then-current franchise agreement and comply in all respects with all of our requirements; (viii) transferee must upgrade the Franchised Business to our then-current standards for a Blue-Grace® Logistics Franchise Business; (ix) transferee (and its owners) agrees that we are not responsible for any representations not included in this Franchise Disclosure Document; (x) you must pay the transfer fees indicated in Item 6; (xi) you must sign a general release in favor of us, our affiliates and their respective owners, officers, directors, employees and agents; (xii) we determine that the terms of the purchase will

			not adversely affect the operation of the Franchised Business; (xiii) if transferee finances the purchase, transferee agrees that its financing obligations are subordinate to any amounts due according to the Franchise Agreement; (xiv) you will not identify yourself as a Blue-Grace® Logistics franchisee without our express written consent; (xv) you must comply with all other applicable transfer requirements designated by us or otherwise in writing; (xvi) we determine that the terms of the transfer are substantially the same as those offered to us pursuant to our right of first refusal; (xvii) transferee (and its owners) must sign any personal guarantees required; (xviii) transferee (and its owners) must pass a credit and criminal background check; and (xix) you and your Owners (and their spouses) will comply with all non-competition covenants.
n. Franchisor's Right of First Refusal to Acquire Franchisee's Business	Article XI		Within thirty (30) days after notice, we have the option to purchase the transferred interest for the same price offered by a third-party except for transfers to your immediate family members.
o. Franchisor's Option to Purchase Franchisee's Business	Article XIV		Other than assets on termination, nonrenewal or right of first refusal, we have no right or obligation to purchase your business.
p. Death or Disability of Franchisee	Article X		If you or an Operating Principal are a natural person, on death or permanent disability, distributee must be approved by us, or interests must be transferred to someone approved by us within six (6) months after death or six (6) months after notice of permanent disability.
q. Non-Competition Covenants During the Term of the Franchise	Article IX and Exhibit VI		You and your Owners are prohibited from operating or having an interest in a competing business wherever located and operating.
r. Non-Competition Covenants after the Franchise is Terminated or Expires	Article IX		Covenants include, among other things, that you and your Owners are prohibited for two (2) years from operating or having an interest in a similar business located or operating within the continental United States.
s. Modification of the Agreement	Article XX	Section 12	<u>FA</u> : The Franchise Agreement may not be modified unless mutually agreed to in writing, except as we may reduce the scope of covenants,

			<p>as provided by the Franchise Agreement.</p> <p><u>SA</u>: Any amendment or modification of the Service Agreement, or additional obligation assumed by you or Blue-Grace Systems LLC in connection with the Service Agreement, will only be binding if evidenced in a writing signed by each party or an authorized representative of each party.</p>
t. Integration/ Merger Clause	Article XX	Section 16	<p><u>FA</u>: Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding. Nothing in the Franchise Agreement or in any agreement is intended to disclaim representations made in the franchise disclosure document.</p> <p><u>SA</u>: You agree that the Service Agreement constitutes the entire agreement between you and Blue-Grace Systems LLC on the subjects set forth therein and agree that there are no representations, warranties, collateral agreements or condition affecting the Service Agreement except as expressly provided in the Service Agreement (subject to state law).</p>
u. Dispute Resolution by Arbitration or Mediation	Article XXIII	Section 22	<p><u>FA</u>: All disputes must be litigated in Tampa, Florida, unless otherwise brought by us.</p> <p><u>SA</u>: All disputes must be litigated in Tampa, Florida, unless otherwise brought by Blue-Grace Systems LLC.</p>
v. Choice of Forum	Article XXIII	Section 22	<p><u>FA</u>: All disputes between the parties are to be brought exclusively in either a Florida state court in Tampa, Florida or in the United States District Court for the Middle District of Florida, subject to state law, unless otherwise brought by us.</p> <p><u>SA</u>: All disputes between the parties are to be brought exclusively in either a Florida state court in Tampa, Florida or in the United States District Court for the Middle District of Florida, subject to state law, unless otherwise brought by Blue-Grace Systems LLC.</p>
w. Choice of Law	Article XXIII	Section 22	<p><u>FA</u>: The laws of the State of Florida govern the Franchise Agreement. However, if the Franchised Business is located outside of Florida, and a provision of the Franchise Agreement is not</p>



			<p>enforceable under the laws of Florida but is enforceable under the laws of the state in which the Franchised Business is located, then that provision (and only that provision) will be interpreted and construed under the laws of the state where the Franchised Business is located.</p> <p><u>SA</u>: The laws of the State of Florida govern the Service Agreement.</p>
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**ITEM 18. ARRANGEMENTS WITH PUBLIC FIGURES**

We do not use any public figures to promote our franchise.

**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-owner outlets, if there is a reasonable basis for the information, and if the information is included in the Franchise 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.

The following table presents the weekly median “Gross Margin” (as defined in footnote 2 of Item 6) and weekly median “Gross Revenue” (as defined in Section 4.9 of the Franchise Agreement) realized by certain of our franchisees as of December 31, 2013. The “median” value represents the middle value in a distribution, above and below which lie an equal number of values (50% lie above the value and 50% lie below the value). We have provided you with this information to help you make a more informed decision about our franchise offering. You should not use this information as an indication of how well your specific Franchised Business will do. The actual numbers you experience will vary depending upon several factors, including competition, management and market demographics. You should conduct your own research to assist you in preparing projections for your own Franchised Business.

The information provided below was compiled from the thirty-seven (37) of our Franchised Businesses that were operational for at least a 6-month period prior to December 31, 2013. Seven (7) of our Franchised Businesses were not operational for a least a 6-month period prior to December 31, 2013 and were excluded from the information provided below, as were the two (2) company-owned Franchised Businesses. Some data used to provide the information precedes the date on which we began offering franchises for the Franchised Businesses that were previously our “partner groups” as referenced in Item 1 in order to accurately represent their results from the inception of their business through December 31, 2013. None of the underlying data supplied to us has been audited. **Some franchisees have sold or earned this amount. There is no assurance you will sell or earn as much.**

ITEM 19	YEAR 1		YEAR 2	
	Months		Months	
	0-6 <sup>1</sup>	7-12 <sup>2</sup>	13-18 <sup>3</sup>	19-24 <sup>4</sup>
WEEKLY MEDIAN GROSS MARGIN	\$350	\$2,270	\$3,226	\$4,413
WEEKLY MEDIAN GROSS REVENUE	\$1,752	\$11,350	\$16,130	\$22,065
	YEAR 3		YEAR 4	
	Months		Months	
	25-30 <sup>5</sup>	31-36 <sup>6</sup>	37-42 <sup>7</sup>	43-48 <sup>8</sup>
WEEKLY MEDIAN GROSS MARGIN	\$4,706	\$5,466	\$5,777	\$6,275
WEEKLY MEDIAN GROSS REVENUE	\$23,529	\$27,331	\$28,887	\$31,377
	YEAR 5		YEAR 6	
	Months		Months	
	49-54 <sup>9</sup>	55-60 <sup>10</sup>	61-66 <sup>11</sup>	67-72 <sup>12</sup>
WEEKLY MEDIAN GROSS MARGIN	\$7,462	\$8,405	\$7,933	\$8,568
WEEKLY MEDIAN GROSS REVENUE	\$37,308	\$42,026	\$39,664	\$42,842

Notes:

- 1) Thirty-seven (37) Franchised Businesses were operational for at least six (6) months and their data was used to provide this information.
- 2) Thirty-two (32) Franchised Businesses were operational for at least twelve (12) months and their data was used to provide this information.
- 3) Twenty-seven (27) Franchised Businesses were operational for at least eighteen (18) months and their data was used to provide this information.
- 4) Twenty-two (22) Franchised Businesses were operational for at least twenty-four (24) months and their data was used to provide this information.
- 5) Twenty (20) Franchised Businesses were operational for at least thirty (30) months and their data was used to provide this information.
- 6) Twenty (20) Franchised Businesses were operational for at least thirty-six (36) months and their data was used to provide this information.

- 7) Nineteen (19) Franchised Businesses were operational for at least forty-two (42) months and their data was used to provide this information.
- 8) Eighteen (18) Franchised Businesses were operational for at least forty-eight (48) months and their data was used to provide this information.
- 9) Sixteen (16) Franchised Businesses were operational for at least fifty-four (54) months and their data was used to provide this information.
- 10) Fourteen (14) Franchised Businesses were operational for at least sixty (60) months and their data was used to provide this information.
- 11) Twelve (12) Franchised Businesses were operational for at least sixty-six (66) months and their data was used to provide this information.
- 12) Two (2) Franchised Businesses were operational for at least seventy-two (72) months and their data was used to provide this information.

Of the thirty-seven (37) Franchised Businesses measured, eighteen (18) Franchised Businesses (48.6%) attained or surpassed the median results. There is no assurance that any other Blue-Grace® Logistics Franchised Business will perform as well as, or anywhere near, the Franchised Businesses used in preparing the median values shown above. The financial performance representation figures above do not reflect the operating expenses that must be deducted from the Gross Margin figures to obtain your net income or profit. The best source of cost and expense data may be from franchisees and former franchisees, some of whom may be listed in Exhibit D. Written substantiation for this financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, Blue-Grace Franchise LLC does not make any financial performance representations. 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 Robert Harris, 2846 S. Falkenburg Rd., Riverview, FL 33578, Tel: (813) 641-0357, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

The tables presume a December 31 fiscal year end. The tables appear as follows:

**Table 1 – Systemwide Outlet Summary for Years 2011 to 2013:**

<u>Outlet Type</u>	<u>Year</u>	<u>Outlets at the Start of the Year</u>	<u>Outlets at the End of the Year</u>	<u>Net Change</u>
Franchised	2011	0	12	+12
	2012	12	25	+13
	2013	25	44	+19
Company Owned	2011	1	1	0
	2012	1	1	0

	2013	1	2	+1
Total Outlets	2011	1	13	+12
	2012	13	26	+13
	2013	26	46	+20

**Table 2 – Transfers of Outlets From Franchisees to New Owners (Other than the franchisor) For Years 2011 to 2013:**

State	Year	Number of Transfers
California	2011	0
	2012	0
	2013	1
Total	2011	0
	2012	0
	2013	1

**Table 3 – Status of Franchise Outlets for Years 2011 to 2013:**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of Year
California	2011	0	1	0	0	0	0	1
	2012	1	3	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Florida	2011	0	3	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	3	0	0	0	0	6
Georgia	2011	0	0	0	0	0	0	0
	2012	0	2	0	0	0	0	2
	2013	2	1	0	0	0	0	3
Idaho	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Illinois	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Indiana	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Louisiana	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Massachusetts	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1

Michigan	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Minnesota	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Missouri	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Nebraska	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
North Carolina	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
New Jersey	2011	0	2	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	3	0	0	0	0	5
New York	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	2	0	0	0	0	3
Pennsylvania	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
South Carolina	2011	0	2	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Tennessee	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Texas	2011	0	1	0	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	5	0	0	0	0	7
Virginia	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Washington	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Total	2011	0	12	0	0	0	0	12
	2012	12	13	0	0	0	0	25
	2013	25	19	0	0	0	0	44

**Table 4 – Status of Company Owned Outlets for Years 2011 to 2013:**

<u>State</u>	<u>Year</u>	<u>Outlets at Start of Year</u>	<u>Outlets Opened</u>	<u>Outlets Re-acquired from Franchisees</u>	<u>Outlets Closed</u>	<u>Outlets Sold to Franchisees</u>	<u>Outlets at End of the Year</u>
Florida	2011	1	0	0	0	0	1
	2012	1	0	0	0	0	1
	2013	1	1	0	0	0	2
Total	2011	1	0	0	0	0	1
	2012	1	0	0	0	0	1
	2013	1	1	0	0	0	2

**Table 5 - Projected Openings for next Fiscal Year as of December 31, 2013:**

<u>State</u>	<u>Franchise Agreements Signed but Outlet Not Opened</u>	<u>Projected New Franchised Outlet in the Next Fiscal Year</u>	<u>Projected New Company Owned Outlet in the Next Fiscal Year</u>
Alabama	0	1	0
Arizona	0	2	0
Arkansas	0	1	0
California	0	4	0
Colorado	0	1	0
Florida	0	1	0
Georgia	0	1	0
Illinois	0	1	0
Indiana	0	1	0
Kansas	0	1	0
Kentucky	0	1	0
Louisiana	0	1	0
Maine	0	1	0
Massachusetts	0	1	0
Michigan	0	1	0
Minnesota	0	1	0
Mississippi	0	1	0
Missouri	0	2	0
Nebraska	0	1	0
Nevada	0	2	0
New York	0	1	0
North Carolina	0	1	0
Ohio	0	2	0
Oklahoma	0	2	0
Oregon	0	2	0
Pennsylvania	0	1	0
South Carolina	0	1	0
Texas	0	4	0

<u>State</u>	<u>Franchise Agreements Signed but Outlet Not Opened</u>	<u>Projected New Franchised Outlet in the Next Fiscal Year</u>	<u>Projected New Company Owned Outlet in the Next Fiscal Year</u>
Utah	0	1	0
Washington	0	2	0
West Virginia	0	1	0
<b>TOTAL</b>	0	44	0

A list of the names of all franchisees and the addresses and telephone numbers of their Franchised Businesses are attached to this Franchise Disclosure Document as Exhibit D. If you buy this franchise, your contact information may be disclosed to other buyers when you leave this franchise system.

The following is the name of a franchisee and his address and telephone number of his Franchised Business who transferred his Franchised Business within the last fiscal year: Mr. Peter Grabell, Skye Equities Corporation, 2033 San Elijo Ave., #172, Cardiff, CA 92007, 760-212-5100.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experience as a franchisee in our franchise system.

Currently, there are no trademark-specific franchisee organizations associated with the franchise system that are required or have asked to be disclosed in this Franchise Disclosure Document.

## **ITEM 21. FINANCIAL STATEMENTS**

Attached to this Franchise Disclosure Document as Exhibit E are our audited financial statements for December 31, 2013, December 31, 2012 and December 31, 2011.

## **ITEM 22. CONTRACTS**

The following agreements are attached to this Franchise Disclosure Document:

1. The Franchise Agreement as Exhibit B to this Franchise Disclosure Document;
2. General Release as Exhibit 2 to the Franchise Agreement;
3. EFT Authorization and ABP Authorization as Exhibit 3 to the Franchise Agreement;
4. Service Agreement as Exhibit 4 to the Franchise Agreement;
5. Collateral Assignment of Lease as Exhibit 5 to the Franchise Agreement;
6. Confidentiality, Non-Use and Non-Competition Agreement as Exhibit 6 to the Franchise Agreement;

7. Telephone Assignment Agreement as Exhibit 7 to the Franchise Agreement;
8. Guarantee as Exhibit 8 to the Franchise Agreement;
9. State Amendment as Exhibit 10 to the Franchise Agreement; and
10. State Addenda as Exhibit F to this Franchise Disclosure Document.

**ITEM 23. RECEIPTS**

See Exhibit G attached.



**EXHIBIT A**

**BLUE-GRACE FRANCHISE LLC**

**AGENTS FOR SERVICE OF PROCESS/STATE ADMINISTRATORS**

<p><u>CALIFORNIA</u></p> <p>Department of Business Oversight Suite 750 320 West 4<sup>th</sup> Street Los Angeles, CA 90013 (213) 576-7500 (866) 275-2677</p> <p>Agent: Commissioner of Business Oversight</p>	<p><u>MARYLAND</u></p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p> <p>Agent: Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020</p>
<p><u>HAWAII</u></p> <p>Securities Examiner 1010 Richards Street Honolulu, Hawaii 96813 (808) 586-2744</p> <p>Agent: Director of Hawaii Department of Commerce and Consumer Affairs</p>	<p><u>MICHIGAN</u></p> <p>Overnight mail: Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 6<sup>th</sup> Fl Lansing, Michigan 48933 (517) 373-7117</p> <p>Regular mail: Attorney General's Office Consumer Protection Division Attn: Franchise Section P.O. Box 30213 Lansing, Michigan 48909</p> <p>Agent: Michigan Department of Commerce Corporations and Securities Bureau</p>
<p><u>ILLINOIS</u></p> <p>Franchise Division Office of Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p><u>MINNESOTA</u></p> <p>Minnesota Department of Commerce 85 7<sup>th</sup> Place East Suite 500 St. Paul, Minnesota 55101 (612) 296-4026</p>

<p>Agent: Illinois Attorney General</p>	<p>Agent: Minnesota Commissioner of Commerce</p>
<p><u>INDIANA</u></p> <p>Franchise Section Indiana Securities Division Secretary of State Room E-111 302 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681</p> <p>Agent: Indiana Secretary of State</p>	<p><u>NEBRASKA</u></p> <p>Nebraska Department of Banking and Finance 1200 N Street P.O. Box 95006 Lincoln, Nebraska 68509-5006 (402) 471-3445</p>
<p><u>NEW YORK</u></p> <p>Bureau of Investor Protection and Securities New York State Department of Law 23rd Floor 120 Broadway New York, New York 10271 (212) 416-8211</p> <p>Agent: New York Secretary of State</p>	<p><u>SOUTH DAKOTA</u></p> <p>Division of Securities c/o 445 E. Capitol Ave. Pierre, South Dakota 57501 (605) 773-4823</p> <p>Agent: Director of South Dakota Division Securities</p>
<p><u>NORTH DAKOTA</u></p> <p>Office of Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor, Dept 414 Bismarck, North Dakota 58505-0510 (701) 328-4712</p> <p>Agent: North Dakota Securities Commissioner</p>	<p><u>TEXAS</u></p> <p>Secretary of State P.O. Box 12887 Austin, Texas 78711</p>
<p><u>OREGON</u></p> <p>Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387</p>	<p><u>VIRGINIA</u></p> <p>State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9<sup>th</sup> Floor Richmond, Virginia 23219</p>

<p>Agent: Director of Oregon Department of Insurance and Finance</p>	<p>(804) 371-9051</p> <p>Agent: Clerk of the State Corporation Commission 1300 East Main Street, 1<sup>st</sup> Floor Richmond, Virginia 23219 (804) 371-9733</p>
<p><u>RHODE ISLAND</u></p> <p>Division of Securities Suite 232 233 Richmond Street Providence, Rhode Island 02903 (401) 222-3048</p> <p>Agent: Director of Rhode Island Department of Business Regulation</p>	<p><u>WASHINGTON</u></p> <p>Director Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507 (360) 902-8760</p> <p>Agent: Securities Administrator, Director of Department of Financial Institutions</p>
<p><u>WISCONSIN</u></p> <p>Administrator Securities Division Department of Financial Institutions P.O. Box 1768 Madison, Wisconsin 53701 (608) 266-8559</p> <p>Agent: Wisconsin Commissioner of Securities</p>	<p><u>CONNECTICUT</u></p> <p>State of Connecticut Department of Banking Securities &amp; Business Investments Division 260 Constitution Plaza Hartford, Connecticut 06103-1800 (860) 240-8230</p> <p>Agent: Banking Commissioner</p>

**EXHIBIT B**

**BLUE-GRACE FRANCHISE LLC**

**FRANCHISE AGREEMENT**

**BLUE-GRACE® LOGISTICS**



**BLUE-GRACE FRANCHISE LLC  
FRANCHISE AGREEMENT**

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#### EXHIBITS

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3. EFT AUTHORIZATION AND ABP AUTHORIZATION
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11. STATE AMENDMENTS

## FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“AGREEMENT”) IS MADE AND ENTERED INTO THIS \_\_\_\_ DAY OF \_\_\_\_\_, 20\_\_ (“EFFECTIVE DATE”), BETWEEN BLUE-GRACE FRANCHISE LLC, A FLORIDA LIMITED LIABILITY COMPANY WITH ITS PRINCIPAL OFFICE AT 2846 S. FALKENBURG RD., RIVERVIEW, FLORIDA 33578 (“FRANCHISOR”) AND \_\_\_\_\_, A(N) \_\_\_\_\_ WHOSE PRINCIPAL ADDRESS IS \_\_\_\_\_ (“FRANCHISEE”).

### RECITALS

WHEREAS, as a result of the expenditure of time, skill, effort and money, Franchisor has developed a distinctive, proprietary system (“System”) that governs the establishment and operation of a Blue-Grace® Logistics business that provides freight, specialized freight and parcel (if available and elected by Franchisee) transportation and shipping services;

WHEREAS, the System is identified by means of certain symbols, trademarks, service marks, logos, trade names, emblems and indicia of origin in which Franchisor has developed and will continue to develop valuable goodwill (collectively the “Principal Trademarks” as indicated on Exhibit 1 attached hereto), and Franchisor may develop or acquire other service marks, trademarks and trade names;

WHEREAS, the distinguishing characteristics of the System include: distinctive design, identifiable trade-dress, including, but not limited to, uniform standards of operation; quality and uniformity of products and services; procedures for management and financial control; training and assistance; and advertising, marketing and promotional programs, all of which Franchisor may change, improve and further develop from time to time;

WHEREAS, Franchisor is affiliated with various entities including but not limited to the following entities: Blue-Grace Group LLC, Blue-Grace Logistics LLC, Blue-Grace Technologies LLC, Blue-Grace Systems LLC, Blue-Grace I.P. LLC and such other entities as may hereinafter be formed, acquired by or merged with Franchisor or the entities referenced herein (hereinafter each referred to as an “Affiliate” and collectively referred to as the “Affiliates”);

WHEREAS, Franchisee desires to obtain a franchise to operate and develop a business as a Blue-Grace® Logistics franchisee; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor’s high standards of quality and service and the necessity of operating the Franchised Business (as defined herein) in conformity with Franchisor’s standards and specifications (“System Standards”);

NOW THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:



## **I. GRANT OF FRANCHISE AND LICENSE**

### **1.1 Grant**

Subject to the terms and conditions of this Agreement, Franchisor grants to Franchisee the right and license and Franchisee accepts the right and obligation, to operate a Blue-Grace® Logistics business, specifically (i) to provide less-than-truckload and all less-than-truckload related freight transportation and shipping services (“Freight Services”); (ii) to provide full truckload, expedited, air and ocean freight transportation and shipping services, including freight shipments that cannot be transported or shipped through standard means or cannot or will not be serviced by less-than-truckload carriers at customary rates (“Specialized Freight Services”); and (iii) under certain circumstances described below, to have the option to provide parcel transportation and shipping services (“Parcel Services”) under the Principal Trademarks and in accordance with the System and the provisions of this Agreement (“Franchised Business”). Franchisee shall have no right or license to operate the Franchised Business or to use the System or the Principal Trademarks to offer or sell any products or services through any channel of distribution except and in accordance with this Agreement. Franchisee is also granted the right to use the Blue-Grace® Logistics technology resources which shall allow Franchisee to operate a platform that will help Franchisee book, quote, trace and manage its Freight Services, Specialized Freight Services and Parcel Services (if available and elected by Franchisee).

### **1.2 Limitation of Grant**

(a) Franchisee agrees and acknowledges that this Agreement does not grant Franchisee any area, market, territory, franchise or other rights except as provided herein and Franchisor shall retain any right not expressly granted to Franchisee, without compensation to Franchisee. Franchisor reserves all rights that are not inconsistent with Article I of this Agreement. For example, in order to have the ability to respond to changing market conditions and for other reasons, Franchisor reserves the right, among others, on behalf of itself and/or its Affiliates and its members, any time to:

(i) Grant and establish franchises or licenses that may solicit and accept orders for Freight Services, Specialized Freight Services or Parcel Services from anywhere, including near the Franchised Business location, shipping anywhere, including near the Franchised Business location, which may be generated through any means, including, but not limited to telesales, Internet sales, direct sales, co-branding efforts, catalogue sales, the establishment of non-traditional locations and any other channel of distribution;

(ii) Establish a business and solicit and accept orders for Freight Services, Specialized Freight Services or Parcel Services anywhere, including near the Franchised Business location, shipping anywhere, including near the Franchised Business location, which may be generated through any means, including, but not limited to telesales, Internet sales, direct sales, co-branding efforts, catalogue sales, the establishment of non-traditional locations and any other channel of distribution;

(iii) Provide freight desk management services and the Blue-Grace® Logistics technology resources to third-parties located anywhere, including near the Franchised Business location, who may or may not compete with Franchisee; and

(iv) Establish any business located anywhere, including near the Franchised Business location, that may or may not utilize the Principal Trademarks, which may or may not compete with Franchisee.

(b) In the event that Franchisor acquires an established franchised system that uses different primary service marks, trademarks or trade names: (i) Franchisor shall have the unrestricted right to convert the existing business to the Blue-Grace® Logistics System; or (ii) if the business is not converted to the Blue-Grace® Logistics System, Franchisor reserves the right to allow it to operate and receive the services provided to Blue-Grace® Logistics franchisees.

### **1.3 Grant of License to Marks**

Franchisor hereby grants to Franchisee a limited and non-exclusive license to use, during the term of this Agreement, the Principal Trademarks, subject to the terms, limitations and conditions of this Agreement and to all quality control standards and requirements of Franchisor.

### **1.4 Services Offered by Franchisee**

#### **(a) General Requirements**

Except to the extent otherwise provided in this Article, Franchisee agrees to offer, sell and furnish all current and future services, Ancillary Services and Products (as these terms are defined in subsections (b) and (c) below), and other programs and products which are part of the System and which Franchisor designates as mandatory in this Agreement, the Confidential Operating Manual (as defined in Section 6.1) or otherwise in writing by Franchisor. Franchisee may not use the Blue-Grace® Logistics name or the Principal Trademarks for the benefit of any business other than the Franchised Business. Franchisee is prohibited from offering or selling any service, program or product which is not a part of the Blue-Grace® Logistics System or which Franchisor deleted from the System without Franchisor's specific prior written approval. Franchisee may not conduct (or permit anyone else to conduct) any business other than the business contemplated by this Agreement at or from any location other than the Franchised Business location without first obtaining Franchisor's written consent, which Franchisor is under no obligation to grant and which Franchisor may, in Franchisor's sole discretion, subsequently withdraw. If Franchisor permits Franchisee to furnish, offer or sell any service, program or product which is not a part of the System at or from the Franchised Business location, then Franchisor has the right to set conditions for this approval including, without limitation: (i) requirements that Franchisee inform the public (in the manner that Franchisor requires) that such services, programs or products are not associated with the Principal Trademarks and/or are not endorsed or offered by Franchisor, its Affiliates or Blue-Grace® Logistics franchisees; (ii) Franchisor's right to withdraw its consent to the services, programs or products, in which event

Franchisee shall immediately cease and desist all activities with respect to these services, programs or products; (iii) that such services, programs or products may, in Franchisor's sole discretion, be incorporated into the Blue-Grace® Logistics System and be used by Franchisor, its Affiliates and/or its franchisees without restriction or compensation to Franchisee, as Franchisor's property; and (iv) that Franchisee waives and releases any proprietary rights Franchisee may have in that regard to the services, programs and products.

(b) The Services

This Agreement authorizes Franchisee to offer, sell and perform services, which means providing Freight Services and Specialized Freight Services, supported by freight desk management services and the Blue-Grace® Logistics technology resources. Franchisee shall have the option to provide Parcel Services if provided, upon its election as described below. If we do provide Parcel Services, then Franchisee must conduct that business through Franchisor subject to the exception described in Section 4.2(c) below. Franchisee shall be required to use the Blue-Grace® Logistics technology resources in connection with the provision of Freight Services, Specialized Freight Services (in most instances) and Parcel Services (if available and elected by Franchisee). It is Franchisee's obligation to determine if Franchisee must be licensed to perform the services in the state in which Franchisee is located and to take whatever steps are necessary to meet the requirements of any regulations regarding the services. We reserve the right to prohibit you from offering Freight Services or Specialized Freight Services for any freight shipment or customer in our reasonable discretion after consultations with you. We will exercise our discretion based on your and/or your customer's credit worthiness and payment history, existing credit guidelines then in place and the size of the customer and/or shipment, among other factors.

(c) Ancillary Services and Products

Franchisor reserves the right to extend the Blue-Grace® Logistics System into other areas of business. Franchisor is under no obligation to offer to Franchisee the right to sell those services or products if and when they are established ("Ancillary Services" and "Ancillary Products.") If Franchisor notifies Franchisee of a new Ancillary Service or Ancillary Product to be included in the System by separate written notice or by revised Confidential Operating Manual, then Franchisee agrees to offer such Ancillary Services or Ancillary Products if Franchisor describes them as mandatory. Franchisee shall have the option to offer such Ancillary Services or Ancillary Products if Franchisor describes them as optional. If mandatory, Franchisee agrees, at its expense: (i) to obtain all necessary products, services, promotional materials, licensed personnel, if required, training and equipment which Franchisor advises Franchisee is necessary to offer the Ancillary Services or Ancillary Products; and (ii) to begin offering, selling, using and furnishing the Ancillary Services or Ancillary Products as soon as is possible in a commercially reasonable manner after receipt of a notice to that effect.

## **II. TERRITORY**

### **2.1 No Exclusive Territory**

Franchisee will not receive an exclusive territory. Franchisee's Blue-Grace® Logistics Franchised Business will permit it to operate one (1) Blue-Grace® Logistics office from which it will have the right to sell Freight Services, Specialized Freight Services and Parcel Services (if available and elected by Franchisee) under the name Blue-Grace® Logistics to businesses and individuals in accordance with the System Standards established by Franchisor. Each manager, employee, consultant, representative, or agent of the Franchised Business must work out of or be located within a reasonably commutable distance from the office location unless otherwise exempted by the Franchisor in its sole discretion. Franchisee acknowledges and agrees that Franchisee may face direct competition from other franchisees, from outlets that are owned or controlled by Franchisor or its Affiliates, or from other channels of distribution or competitive brands that are owned, controlled or licensed by Franchisor or its Affiliates.

## **III. TERM AND SUCCESSOR AGREEMENT**

### **3.1 Initial Term**

The term of this Agreement shall commence on the Effective Date and shall expire on the sooner of: (a) the fifth (5<sup>th</sup>) anniversary of the Effective Date; or (b) upon the termination of this Agreement in accordance with the provisions hereunder.

### **3.2 Successor Agreement**

(a) Franchisee shall have the right to enter into an unlimited number of successor agreements for this franchise at the expiration of the initial term for successive terms of five (5) years each, commencing immediately upon the expiration of this Agreement, provided that, at the time the successor agreement is to be executed, all of the following conditions have been fulfilled:

(i) Franchisee (and its Owners, as defined herein) has, during the entire term of this Agreement, substantially complied with all of its provisions;

(ii) Franchisee, by the expiration date of this Agreement, has brought the Franchised Business into full compliance with Franchisor's then-current specifications and standards for new Blue-Grace® Logistics franchises (regardless of cost);

(iii) By the expiration of this Agreement, Franchisee has satisfactorily completed the then-current qualifications and training requirements;

(iv) Franchisee has executed Franchisor's then-current form of franchise agreement, which may be materially different from this Agreement;

(v) Franchisee has satisfied all monetary obligations owed to Franchisor, its Affiliates, and/or Suppliers, as defined herein, and has in a timely manner met those obligations

throughout the term of this Agreement;

(vi) Franchisee and its Owners have executed a general release, in a form attached as Exhibit 2, of any and all claims against Franchisor, its corporate parents, subsidiaries and Affiliates and the respective officers, directors, shareholders, members, partners, agents, attorneys, contractors and employees of each of the foregoing entities (in their corporate and individual capacities) and Franchisor's heirs, executors, administrators, successors and assigns (the "Released Parties");

(vii) Franchisee notifies Franchisor of its desire to enter into a successor agreement for a Blue-Grace® Logistics Franchised Business not more than nine (9) months, and not less than six (6) months, before this Agreement expires;

(viii) Franchisee makes payment to Franchisor of a successor agreement fee in the amount of \$5,000.00;

(ix) Franchisee maintains all relevant licenses and permits necessary for the operation of the Franchised Business; and

(x) Franchisee has entered into a lease for the location of the Franchised Business for the duration or a portion of the successor term as mutually agreed upon in good faith by Franchisor and Franchisee.

(b) Within sixty (60) days of its receipt of Franchisee's notice of Franchisee's desire to enter into a successor agreement for a Blue-Grace® Logistics Franchised Business, Franchisor agrees to give Franchisee written notice ("Successor Notice") of Franchisor's decision:

(i) To grant Franchisee a successor agreement;

(ii) To grant Franchisee a successor agreement on the condition that Franchisee corrects existing deficiencies of the Franchised Business or in its operation of the Franchised Business; or

(iii) Not to grant Franchisee a successor agreement based on Franchisor's determination, in its sole discretion, that Franchisee and its Owners have not substantially complied with the provisions of this Section 3.2.

If Franchisor elects to grant a successor franchise, Franchisee's right to acquire the successor franchise is subject to its full compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to its compliance with the obligations described in the Successor Notice.

(c) If the Successor Notice states that Franchisee must cure certain deficiencies of the Franchised Business or its operation of the Franchised Business as a condition to Franchisor's

granting Franchisee a successor agreement, Franchisor will give Franchisee written notice of its decision not to grant a successor agreement, based upon Franchisee's failure to cure those deficiencies, not less than thirty (30) days before this Agreement expires, provided, however, that Franchisor need not give Franchisee this thirty (30) days' notice if Franchisor decides not to grant Franchisee a successor franchise due to Franchisee's breach of this Agreement during the thirty (30) day period before it expires.

(d) At its option, Franchisor may extend this Agreement's term for the time period necessary to give Franchisee either a reasonable time to correct deficiencies, execute a successor agreement or to provide Franchisee with thirty (30) days' notice of Franchisor's refusal to grant a successor franchise.

(e) If Franchisee fails to notify Franchisor of its election to acquire a successor agreement within the prescribed time period, Franchisor need not grant Franchisee a successor agreement.

#### **IV. PAYMENTS TO FRANCHISOR**

##### **4.1 Initial Franchise Fee**

Simultaneously with the execution of this Agreement, Franchisee shall pay to Franchisor an initial franchise fee of \$57,500.00 in one lump sum ("Initial Franchise Fee"). Franchisee acknowledges and agrees that the Initial Franchise Fee is nonrefundable and fully earned upon payment and receipt by Franchisor.

##### **4.2 Royalties**

During the term of this Agreement, Franchisee shall pay to Franchisor continuing fees (Freight Royalty and Parcel Royalty (as defined herein), collectively referred to as "Royalties") each to be paid weekly by Electronic Funds Transfer ("EFT") or Automatic Bill Payment ("ABP") as authorized pursuant to the EFT Authorization and ABP Authorization attached as Exhibit 3 hereto, as follows:

(a) A royalty rate ranging from 18% to 21% of Freight Gross Margin and Specialized Freight Gross Margin (as defined herein) on the sale of Freight Services and Specialized Freight Services (collectively "Freight Royalty").

(i) The Freight Royalty rate is based on the weekly average gross margin of the Freight Services and Specialized Freight Services for the preceding quarter. "Freight Gross Margin" is defined to mean the difference between Freight Gross Revenues and the cost of Freight Services sold. "Specialized Freight Gross Margin" means the difference between Specialized Freight Gross Revenues and the cost of Specialized Freight Services sold. "Freight Gross Revenues" is defined to include all revenue and income of any type or nature and from any source derived from Freight Services, including, but not limited to, business interruption insurance proceeds allocable to Freight Services, that Franchisee derives or receives directly or indirectly from, through, or on account of the operation of the Franchised Business whether

received in cash, in services, in kind, from barter and/or exchange, on credit, or otherwise. "Specialized Freight Gross Revenues" are defined to include all revenue and income of any type or nature and from any source derived from Specialized Freight Services including, but not limited to, business interruption insurance proceeds allocable to Specialized Freight Services, that you derive directly or indirectly from, though or on account of the operation of the Franchised Business whether received in cash, in kind, from barter and/or exchange or credit or otherwise. Freight Gross Revenues and Specialized Freight Gross Revenues do not include any revenue or income generated from Parcel Services. The rates are as follows:

(1) If Franchisee's weekly average Freight Gross Margin plus Specialized Freight Gross Margin for a calendar quarter is \$5,000.00 or less, its Freight Royalty rate for the next calendar quarter will be 21% of its weekly Freight Gross Margin and Specialized Freight Gross Margin;

(2) If Franchisee's weekly average Freight Gross Margin plus Specialized Freight Gross Margin for a calendar quarter is between \$5,000.01 and \$10,000.00, its Freight Royalty rate for the next calendar quarter will be 20% of its weekly Freight Gross Margin and Specialized Freight Gross Margin;

(3) If Franchisee's weekly average Freight Gross Margin plus Specialized Freight Gross Margin for a calendar quarter is between \$10,000.01 and \$20,000.00, its Freight Royalty rate for the next calendar quarter will be 19% of its weekly Freight Gross Margin and Specialized Freight Gross Margin;

(4) If Franchisee's weekly average Freight Gross Margin plus Specialized Freight Gross Margin for a calendar quarter is \$20,000.01 or greater, its Freight Royalty rate for the next calendar quarter will be 18% of its weekly Freight Gross Margin and Specialized Freight Gross Margin ;

(5) Franchisee's Freight Royalty rate beginning on the Effective Date will be 21% of its weekly Freight Gross Margin and Specialized Freight Gross Margin;

(6) If Franchisee begins operating its Franchised Business during a calendar quarter, Franchisor may, in Franchisor's sole discretion, charge Franchisee a Freight Royalty rate for the first full calendar quarter of 20%, 19% or 18% depending on its weekly average Freight Gross Margin and Specialized Freight Gross Margin for the partial quarter.

(ii) Franchisee is required to make certain Minimum Margin Payments on Freight Services, Specialized Freight Services and Parcel Services during the initial term and during any successor term. Minimum Margin Payments will require that Franchisee make minimum payments on its Gross Margin per week regardless that Franchisee may have generated a lesser amount pursuant to the provisions herein. "Gross Margin" is defined as the total of Freight Gross Margin, Specialized Freight Gross Margin (defined below) and Parcel Services Gross Margin (defined as Parcel Gross Revenues less the cost of Parcel Services sold). The minimum payments are as follows:

Minimum Margin Payments are provided in the table below.

Minimum Margin Payments

Minimum Margin Payments	Quarters
\$100.00 per week	3 - 4
\$250.00 per week	5 - 8
\$500.00 per week	9 - 12
\$750.00 per week	13 - 16
\$1,000.00 per week	17 and each quarter after

Franchisee shall be obligated to make its Minimum Margin Payments on a weekly basis after a grace period of a maximum of six (6) months from the Effective Date. If the Effective Date falls within a calendar quarter, Franchisor will not require Franchisee to make Franchisee's Minimum Margin Payments for the remainder of that calendar quarter and for the next full calendar quarter. For example, if the Effective Date is January 2<sup>nd</sup>, Franchisor will not require Franchisee to make Franchisee's Minimum Margin Payments until July 1<sup>st</sup>, five (5) months and twenty-nine (29) days from the Effective Date. Thus, Franchisor will not require Franchisee to make Franchisee's Minimum Margin Payments until the beginning of the second calendar quarter following the Effective Date.

(b) Notwithstanding anything to the contrary in subsection (a) above, Franchisee shall pay Franchisor a \$62.50 minimum payment per each shipment of certain Specialized Freight Services. The minimum payment shall only apply to truckload shipments sourced and booked through Franchisor's resources, and if Franchisee utilizes its own resources to book its own truckload shipment and does not utilize the services of Franchisor or one of its affiliates for any part of the shipment, then Franchisee shall pay the applicable Freight Royalty for each such truckload shipment not subject to the minimum payment.

(c) Franchisor currently does not offer Parcel Services through its own Parcel Services provider. However, in the future Franchisor may offer Parcel Services directly through Franchisor, and until such time Franchisee may utilize its own small parcel provider upon Franchisor's prior written consent. If Franchisee does not offer Parcel Services prior to Franchisor's introduction of its own Parcel Services provider, then Franchisee may only offer Parcel Services through Franchisor's Parcel Services provider. If Franchisee offers Parcel Services prior to Franchisor's introduction of its own Parcel Services provider (as approved in writing by Franchisor), Franchisee shall have the option to (i) offer Parcel Services through Franchisor's Parcel Services provider, in which event the remainder of this subsection shall apply, or (ii) continue to use its own small parcel provider (as approved in writing by Franchisor) provided the billings for such are made directly to Franchisee (in its own corporate name and in no way using the Franchisor's name), in which event the remainder of this subsection shall not apply (Franchisee shall however be entitled to utilize the Blue-Grace Logistics<sup>®</sup> shipping and



invoicing technology resources to support the use of its own small parcel provider). If Franchisee offers or elects to offer Parcel Services through Franchisor's Parcel Services provider, then Franchisee shall pay Franchisor a Parcel Royalty of five and seven-tenths percent (5.7%) of Franchisee's Parcel Gross Revenues earned from parcel transportation and shipping services only ("Parcel Royalty"). "Parcel Gross Revenues" is defined to include all revenue and income of any type or nature and from any source derived from Parcel Services, including, but not limited to, business interruption insurance proceeds allocable to Parcel Services, that Franchisee derives or receives directly or indirectly from, through, or on account of the operation of the Franchised Business whether received in cash, in services, in kind, from barter and/or exchange, on credit, or otherwise.

### **4.3 Shipping Fee**

Franchisee shall pay Franchisor \$6.20 per each freight shipment booked and in Franchisor's sole discretion per each freight shipment taken off of billing hold initiated by the Franchisee. If Franchisee is able to contract on its own to provide Parcel Services or, in the event Franchisee elects to provide Parcel Services through Franchisor, as described herein, in either event Franchisee will pay to Franchisor a shipping fee of \$0.50 per each parcel shipment Franchisee booked. In certain limited circumstances, Franchisor may charge \$0.35 per bill of lading (BOL) if Franchisor determines, in its sole discretion, that there are excessive BOL's created through the Blue-Grace® Logistics technology resources that are not tendered to a carrier, in which event Franchisor may, in its sole discretion, charge \$0.35 for each such non-executed shipment. Franchisor may require Franchisee to process all parcel shipments through the Blue-Grace® Logistics technology resources.

### **4.4 Brand Fund Contribution**

Franchisor may establish a separate fund for the purpose of conducting advertising, marketing and promotional programs and for using Social Media Platforms (defined as web based platforms such as Facebook, Twitter, LinkedIn, blogs and other networking and sharing sites) and developing and/or using Social Media Materials (defined as any material on any Social Media Platform that makes use of Franchisor's Principal Trademarks, name, brand, products or Franchisee's Franchised Business) to enhance, promote and protect the goodwill and public image of the System ("Brand Fund"). In the event the Brand Fund is created, Franchisee shall pay to the Brand Fund a continuing contribution ("Brand Fund Contribution"), in an amount to be fixed by Franchisor by written notice to Franchisee in the amount of up to one percent (1%) of Franchisee's Gross Revenues as defined herein. Franchisor may periodically change the amount of the Brand Fund Contribution in its sole discretion, subject the limitations set forth herein. Payments shall be made on a monthly basis on the 10<sup>th</sup> day of each month by ETF or ABP. The total of Brand Fund Contributions and Local Advertising Payments (defined herein) shall be (1%) percent of Gross Revenue.

### **4.5 Local Advertising, Marketing and Promotional Expenditures**

Franchisor does not currently require franchisees to incur any specific local advertising,

marketing and promotional expenditures. In the event Franchisor elects to require those expenditures at some future point, these expenditures will be in an amount equal to the difference between the Brand Fund Contribution, if any, and one percent (1%) of Gross Revenues as defined herein, to be paid directly to third-party vendors, as required in Section 7.10.

#### **4.6 Freight Desk Management Service Fee**

(a) Unless otherwise excepted, Franchisor requires that Franchisee enter into a freight desk service agreement with its Affiliate Blue-Grace Systems LLC. The Service Agreement is attached hereto as Exhibit 4. Franchisee shall be required to enter into a Service Agreement unless Franchisor determines, in its sole discretion, that Franchisee possesses significant experience in the type of freight desk management services used in the freight transportation and shipping industry and that Franchisee does not require freight desk management services.

(b) There are three levels of freight desk management services: (i) the Classic level, which shall require a freight desk management service fee paid to Blue-Grace Systems LLC of eight percent (8%) of the amount equal to Freight Gross Margin and Specialized Freight Gross Margin less Freight Royalties (“GMLR”); (ii) the Preferred level, which shall require a freight desk management service fee paid to Blue-Grace Systems LLC of sixteen percent (16%) of GMLR; and (iii) the Premier level, which shall require a freight desk management service fee paid to Blue-Grace Systems LLC of twenty-four percent (24%) of GMLR. Franchisor reserves the right, in its sole discretion, to determine the level of service necessary, based upon a reasonable analysis of Franchisee’s experience in freight desk management services. In addition, in the event that Franchisee uses the Premier level of freight desk management services, Franchisee shall be charged a \$10.00 claim processing fee for each customer claim filed with a carrier by Blue-Grace Systems LLC.

#### **4.7 Other Fees and Payments**

##### **(a) Transfer Fees**

Except for the transfer by Franchisee to a corporation or limited liability company wholly owned by Franchisee and formed solely for the convenience of ownership, or a transfer to Franchisee’s (or an Owner’s) spouse, parent, or child in the event of the death or disability of Franchisee or that Owner, for which there shall be no fee, in the event of any transfer of the franchise the Franchisee shall pay a transfer fee of \$5,000.00. Notwithstanding anything to the contrary above and unless stated otherwise herein, any transfer is subject to Sections 10.3 and 11.1 of this Agreement.

##### **(b) Interest**

Franchisee shall pay to Franchisor interest at a rate equal to the lesser of the daily equivalent of eighteen percent (18%) per year or the highest rate of interest allowed by law on all past due amounts.

(c) Payment Penalty

Franchisee shall pay to Franchisor a late payment penalty of five (5%) percent on any payment that is received by Franchisor more than three (3) days after its due date.

(d) Reimbursement of Costs and Expenses

In the event Franchisee fails to cure, after notice, any deficiency in the Franchised Business and/or the operation of the Franchised Business, then Franchisor may, in its sole discretion, correct such deficiency in which event Franchisee shall pay to Franchisor, on demand, the cost and fees to correct such deficiency. Franchisor requires that Franchisee to remit reimbursement of costs and expenses via EFT or ABP. In addition, in the event that Franchisor and/or its Affiliates commence action against an individual to enforce the terms of a Confidentiality, Non-Use and Non-Competition Agreement, Franchisee and its Owners agree to pay all of the costs and expenses including attorneys' fees, experts' fees, court fees and all other expenses of litigation that Franchisor and/or its Affiliates incur to secure or protect the rights of Franchisor and/or its Affiliates under this Agreement or in connection with the enforcement of the terms of a confidentiality, non-use and non-competition covenants set forth in this Agreement.

(e) Relocating Expense Fees

In the event Franchisee elects to relocate the Franchised Business and is permitted to do so, Franchisor may require Franchisee to pay a relocation fee of \$1,500.00, plus all costs incurred by Franchisor in assisting Franchisee to relocate the Franchised Business.

(f) Audit Fees

(i) If Franchisee has failed to furnish reports, supporting reports or other information as required by Franchisor herein or otherwise in writing, Franchisor may elect to conduct an audit of the books and records of Franchisee and Franchisee shall pay the cost of conducting the audit including, without limitation, travel, lodging, meals, wages, expense and accounting and legal fees incurred by Franchisor. Franchisor will provide Franchisee with written notice ten (10) days prior to conducting the audit. The audit may be conducted by Franchisor or other persons designated by Franchisor to conduct the audit. Franchisor may conduct the audit in Franchisee's offices or at a third-party provider's office. Franchisee may be required to send such records to such location as Franchisor may designate in its sole discretion and at Franchisee's expense; and

(ii) If the audit reveals Franchisee has understated Gross Revenues, Freight Gross Revenues, Specialized Freight Gross Revenues, Parcel Gross Revenues, Freight Gross Margin or Specialized Freight Gross Margin in any report or statement by two percent (2%) or more, Franchisee must pay Franchisor the Freight Royalty and Parcel Royalty based on the underreported amount plus interest. Additionally, Franchisor may, in its sole discretion, require Franchisee to provide periodic audited statements to Franchisor should the audit reveal

discrepancies of over two percent (2%).

(g) Late Office Opening Fee

Franchisee is required to open the Franchised Business location within one hundred twenty (120) days of the Effective Date of this Agreement. If Franchisee fails to open its Franchised Business location within one hundred twenty (120) days of the Effective Date, and no written extension of this time period has been received from Franchisor, Franchisor will charge Franchisee a late office opening fee of \$1,000.00 per month until Franchisee opens its Franchised Business location. This right may be exercised by Franchisor in its sole discretion in lieu of Franchisor's termination rights provided for in Section 14.5 hereof.

#### **4.8 Application of Payments**

Franchisee acknowledges and agrees that Franchisor may apply payments received to amounts due and payable in the order Franchisor determines in its sole discretion.

#### **4.9 Gross Revenues**

"Gross Revenues" shall mean all revenue and income of any type or nature and from any source, including, but not limited to, Freight Gross Revenues, Specialized Freight Gross Revenues and Parcel Gross Revenues that Franchisee derives or receives directly or indirectly from, through, or on account of the operation of the Franchised Business whether received in cash, in services, in kind, from barter and/or exchange, on credit, or otherwise. No deductions shall be made to Gross Revenues for any expenses incurred in connection with the operation of the Franchised Business including, but not limited to, advertising, marketing and promotional fees or taxes, unless specifically exempt herein. Sales taxes shall not be included in Gross Revenues.

### **V. FRANCHISED BUSINESS LOCATION**

#### **5.1 Site Evaluation and Costs**

Franchisee will be responsible at its own expense, for finding and then acquiring, by lease or purchase, a suitable commercial office site at which to develop and operate the Franchised Business location. Any site that Franchisee proposes must be approved by Franchisor. Franchisor may, through its System Standards, provide Franchisee with site criteria which will define the physical, demographic and geographic characteristics of a Franchised Business location.

#### **5.2 Site Selection**

(a) Prior to making a binding commitment to secure the Franchised Business location by lease or purchase, Franchisee must submit a site review report and such other information or materials as Franchisor may reasonably require. Franchisee shall locate a site that satisfies Franchisor's site criteria, if applicable. Franchisee shall submit such information and materials to

Franchisor for its review no later than thirty (30) days prior to the execution of the applicable lease or purchase agreement. Upon receipt of all required information regarding the proposed Franchised Business location, Franchisor will evaluate the proposed site and will advise in writing if the proposed site is approved. If Franchisor does not approve the proposed site within five (5) days after receipt of all required information, the proposed site shall be deemed disapproved. If the location for the Franchised Business is disapproved, Franchisee must submit a new proposed site for Franchisor's review and approval subject to the requirements of this Section 5.2.

(b) In reviewing the proposed location for the Franchised Business, Franchisor may consider any factor Franchisor determines relevant, including, but not limited to, the following: general location, quality of the neighborhood, traffic patterns, available parking, physical characteristics of the premises, the rental or sale terms of the agreement, the duration of the lease and applicable zoning restrictions.

### **5.3 Site Acquisition**

Franchisee acknowledges and agrees that Franchisor's evaluation and approval of a prospective location for the Franchised Business and Franchisor's rendering of assistance, if applicable, in the selection of a prospective location is not a representation, promise, warranty, indication, or guaranty, express or implied, by Franchisor that the Franchised Business will be profitable or successful as a Blue-Grace® Logistics franchise. Franchisee further agrees and acknowledges that Franchisor's evaluation and approval of the Franchised Business location is solely for Franchisor's benefit and is only provided to ensure that the Franchised Business location meets Franchisor's criteria as indicated herein, the System Standards or otherwise by Franchisor in writing.

### **5.4 Lease Requirements**

(a) In the event Franchisee leases the Franchised Business location, Franchisee shall submit a copy of the proposed lease to Franchisor thirty (30) days prior to execution of the lease and furnish to Franchisor a copy of the executed lease within ten (10) days after execution. The lease shall have an initial term as mutually agreed upon in good faith by Franchisor and Franchisee. Franchisee acknowledges and agrees that as a material condition of the Franchisor's approval of Franchisee entering into any lease, the lease or a rider to the lease shall provide that:

(i) the premises shall be used exclusively for the operation of the Franchised Business;

(ii) the lessor consents to the use of the Principal Trademarks, signs, décor, color scheme and related components of the System as Franchisor may prescribe;

(iii) the lessor agrees to furnish Franchisor with copies of all notices under the lease, at such time that such notices are made; and

(iv) Franchisee shall not sublease or assign any or all of its rights under the lease or extend the term of the lease without Franchisor's prior written consent, which shall not be unreasonably withheld.

(b) Franchisee shall not enter into a lease without the prior written authorization of Franchisor. Franchisee acknowledges and agrees that Franchisor's review of the lease does not constitute an approval of the lease or the terms contained therein, including, but not limited to any legal, economic and rental terms. Franchisee agrees to hold Franchisor harmless from any claim arising from the lease.

## **5.5 Collateral Assignment of Lease**

Simultaneously with the execution of any lease for the Franchised Business location, Franchisee shall enter into a collateral assignment of lease with Franchisor in the form annexed hereto as Exhibit 5.

## **5.6 Relocation**

(a) Franchisee shall not relocate the Franchised Business location except with the prior written consent of Franchisor, which may be granted or withheld in its sole discretion. In the event Franchisor grants Franchisee permission to relocate the Franchised Business location, Franchisee shall comply with the then-current site selection and construction procedures applicable to new franchisees at the time of the relocation.

(b) In the event that Franchisee's right to occupy the Franchised Business location terminates during the term of this Agreement through no fault of Franchisee and for a reason other than the expiration of a lease, then Franchisee may relocate the Franchised Business location to another location approved by Franchisor, provided: (i) Franchisee notifies Franchisor within ten (10) days after receiving notice that Franchisee's right to occupy the Franchised Business location will terminate; and (ii) Franchisee complies with the then-current site selection and construction procedures applicable to new franchisees at the time of the relocation.

(c) In the event that Franchisee relocates the Franchised Business location for any reason, then (i) Franchisee acknowledges that such relocation shall not be deemed to create a new Agreement for the new location or extend the then current term of this Agreement but shall not otherwise affect Franchisee's ability to renew the Agreement or enter into a successor agreement pursuant to the terms of the Agreement and this Addendum; and (ii) Franchisee shall pay Franchisor any costs and fees set forth in Section 4.7(e) herein.

## **5.7 Compliance with Laws**

Franchisee acknowledges and agrees that Franchisee is solely responsible for complying with all laws. Franchisee is also responsible for obtaining all zoning classifications and clearances that may be required by state or local laws, ordinances or regulations or that may be necessary as a result of any restrictive covenants relating to the Franchised Business location.

Prior to beginning construction of or improvements to the Franchised Business location, if necessary, Franchisee shall obtain: (a) all permits, licenses and certifications required for the lawful construction or remodeling and operation of the Franchised Business; and (b) the insurance coverage specified in this Agreement. Franchisee shall name Franchisor, its Affiliates and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional insured on any insurance policy. Franchisee shall provide to Franchisor, at Franchisor's request, copies of insurance policies, certificates of insurance, approvals, clearances, permits, certifications and proof of compliance with applicable law.

## **VI. DUTIES OF FRANCHISOR**

### **6.1 Confidential Operating Manual**

(a) Franchisor will loan Franchisee its "Confidential Operating Manual" and other related materials, which may be amended from time to time by Franchisor during the term of this Agreement. The Confidential Operating Manual may consist of written materials, compact disks, computer software, electronic media, audiotapes, videotapes and digital video disks. The Confidential Operating Manual is designated a trade secret, is copyrighted and subject to the confidentiality agreements annexed hereto as Exhibit 6 and 7 (the "Confidentiality, Non-Use and Non-Competition Agreement"). Franchisee, its Owners and each employee must execute the Confidentiality, Non-Use and Non-Competition Agreement.

(b) The Confidential Operating Manual describes among other items the System Standards that the Franchisor periodically prescribes for operating the Franchised Business, sales practices, the Blue-Grace® Logistics technology resources and other information related to the Franchised Business. Franchisor may modify the Confidential Operating Manual periodically to reflect changes in the operating procedures of the Franchised Business. Franchisee agrees to keep its copy of the Confidential Operating Manual current and in a secure location. If there is a dispute over the contents of the Confidential Operating Manual, Franchisor's master copy of the Confidential Operating Manual maintained at Franchisor's corporate headquarters controls.

(c) Franchisee acknowledges and agrees that the contents of the Confidential Operating Manual are confidential and that Franchisee will not disclose the Confidential Operating Manual, in whole or in part, to any person except to Franchisee's employees as required for the operation of the Franchised Business. Franchisee shall not copy, duplicate, record or otherwise reproduce the Confidential Operating Manual in whole or in part. In the event Franchisee copies, duplicates, records or otherwise reproduces the Confidential Operating Manual in whole or in part, or otherwise is in default under the Confidential, Non-Use and Non-Competition Agreement, then Franchisor shall have the right to terminate this Agreement in accordance with Sections 14.4(h) and 14.4(k).

### **6.2 Training Program**

(a) Franchisee acknowledges and agrees that it is necessary for the efficient operation

of the Franchised Business that Franchisee (or if Franchisee is an entity, its managing shareholder, member or partner who owns a majority of the voting and ownership interests in the franchisee entity (“Operating Principal”)) and at least one (1) full-time employee receive such training as Franchisor requires. Franchisee agrees that it or its Operating Principal and at least one (1) full-time employee for Franchisee’s Franchised Business will attend and complete, to Franchisor’s satisfaction, five (5) calendar days of Franchisor’s initial training program with no training fee charge to Franchisee (“Initial Training”). Franchisee or its Operating Principal and at least one (1) full-time employee must satisfactorily complete the Initial Training and participate in all other activities required to operate the Franchised Business within sixty (60) days following the Effective Date. Franchisee acknowledges and agrees that Franchisee shall pay for all travel, room and board and living expenses which Franchisee or its Operating Principal and Franchisee’s employees incur as well as Franchisee’s employees’ wages and workers’ compensation insurance while training. Except as otherwise provided in this Agreement, the Initial Training will be conducted by Franchisor at or near Franchisor’s corporate offices, at or near its Affiliate’s offices or field locations, or at another location designated by Franchisor. Franchisor shall make available to Franchisee instructors and training materials for the Initial Training. All training materials provided are the property of Franchisor and are copyrighted.

(b) Franchisee may request that Franchisor provide Initial Training for additional employees of Franchisee. If Franchisor agrees to provide Initial Training for additional employees of Franchisee, Franchisor may charge an additional training fee at a rate of \$1,000.00 per day plus costs and expenses incurred upon advanced notification to Franchisee. Franchisee acknowledges and agrees that Franchisee shall pay for all travel, room and board and living expenses which Franchisee’s employees incur as well as Franchisee’s employees’ wages and workers’ compensation insurance while training.

(c) Franchisee may request additional training beyond the scope of what is customarily provided to franchisees (e.g., additional continuing training at Franchisor’s place of business, or onsite training of any kind at Franchisee’s place of business). Franchisor is not obligated to provide it. If Franchisor elects to do so, Franchisor may impose a fee of \$1,000.00 per day plus costs and expenses incurred. Franchisor also reserves the right to require Franchisee or its Operating Principal and/or previously trained employees to attend and complete, to Franchisor’s satisfaction, training courses that Franchisor periodically chooses to provide at the times and locations that Franchisor designates. Franchisor may charge \$1,000.00 per day plus costs and expenses incurred for those additional services and Franchisee shall pay all costs to attend, including but not limited to, travel, room and board, and living expenses incurred as well as Franchisee’s employees’ wages and workers’ compensation while attending these programs.

(d) Franchisee understands and agrees that any specific ongoing training or advice Franchisor provides does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which Franchisor may discontinue and modify from time to time.

(e) Franchisor may provide guidance to Franchisee via the Confidential Operating Manual, bulletins, other written materials, electronic media, telephone consultation and/or



personally at Franchisor's office, the Franchised Business location or other location determined by Franchisor in its sole discretion. If Franchisee requests and Franchisor agrees to provide, in its sole discretion, additional or special guidance, assistance or training, Franchisee agrees to pay Franchisor's then applicable charges, including its personnel's per diem charges and travel and living expenses.

### **6.3 Suppliers**

(a) Franchisee must sell and offer for sale all products and services elected by Franchisee in the manner required by Franchisor. Franchisee must discontinue selling and offering for sale any products and services that Franchisor disapproves in writing at any time. Franchisor may require Franchisee to purchase certain goods, services, supplies, materials, and other products necessary to operate the Franchised Business exclusively from designated or approved suppliers, vendors, manufacturers, printers, contractors, distributors and carriers, including Franchisor and its Affiliates ("Suppliers") who demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards, which standards and specifications may be modified by Franchisor in its sole discretion. Such Suppliers may be exclusively limited to Franchisor and its Affiliates or include certain unaffiliated designated Suppliers. Franchisor and/or its Affiliates reserve the right to set prices (both maximum and minimum) for goods, services, supplies, materials and other products, as each determines in its sole discretion. Franchisor may, in its sole discretion, provide to Franchisee a list of Suppliers and revise the list of Suppliers from time to time as it deems best. Franchisor will provide Franchisee, in writing, with any specifications on products and equipment by designating approved brands, types, compositions, performance qualities or Suppliers. Franchisor currently requires franchisees to purchase the Franchisor approved version of the customer relationship management software from Salesforce™. If Franchisee elects to perform any form of email marketing campaign, Franchisee is required to utilize the services of Constant Contact®.

(b) In the event that Franchisee wants to independently source goods, services, supplies, materials and other products necessary to operate the Franchised Business from a party other than a Supplier, Franchisee must obtain Franchisor's prior written approval. Approval of a party other than a Supplier shall be granted in Franchisor's sole discretion. Franchisor is under no obligation to evaluate any Supplier. If Franchisor elects to evaluate a proposed supplier, vendor, manufacturer, printer, contractor and distributor ("Proposed Supplier"), Franchisee must provide Franchisor with information adequate to evaluate any such Proposed Supplier. Franchisor shall evaluate any such Proposed Supplier in accordance with Franchisor's reasonable criteria for the approval of a Proposed Supplier, which may include the following: (1) the financial condition and industry performance of the Proposed Supplier; (2) whether the products and customer service provided by the Proposed Supplier meet our specifications and standards; (3) the reputation of the Proposed Supplier for quality and reliability; (4) the frequency and method of delivery of the Proposed Supplier; (5) competitiveness of pricing offered by the Proposed Supplier; and (6) whether the products or services offered by the Proposed Supplier add anything to the range of products and services offered or are redundant of existing approved products and services. Franchisor may, in its sole discretion and upon prior notification, impose a fee for evaluating a Proposed Supplier, which such fee shall be Franchisor's actual or estimated

cost to evaluate such Proposed Supplier. If Franchisor evaluates Franchisee's Proposed Supplier, Franchisor shall approve or disapprove of the Proposed Supplier within thirty (30) days after Franchisor's receipt of all information and samples necessary to evaluate the Proposed Supplier. If Franchisor does not approve of the Proposed Supplier within thirty (30) days of its receipt of the above information, the Proposed Supplier is deemed disapproved. Franchisor may revoke its prior approval of any Supplier for reasonable cause upon written notice to Franchisee.

(c) Franchisor shall pay for the services provided by Suppliers of shipping services for Freight Services, Specialized Freight Services or Parcel Services (unless Franchisee utilizes its own small parcel provider as permitted herein), which Franchisor shall then pass through to Franchisee, without fee or additional charge. Franchisee shall pay Franchisor upon receipt of an invoice for those service charges; said invoice to be delivered to Franchisee weekly and due no later than twenty-six (26) days after. Franchisee must pay by either ETF or ABP. Franchisor shall have the right to reject, in its sole discretion, any service transaction proposed or submitted by Franchisee.

(d) Franchisor reserves the right to receive rebates, overrides or other consideration on account of Franchisee's purchases from any Supplier. Franchisor is not obligated to provide Franchisee with any material benefit as a result of receiving such rebate, override or other consideration from any Supplier. Franchisee acknowledges and agrees that Franchisor has the right to collect any advertising, marketing, promotional or similar allowances paid by Suppliers who deal with the Blue-Grace® Logistics System and with whom Franchisor has an agreement to do so. Franchisor may but is not required to contribute such advertising, marketing, promotional or similar allowances to the Brand Fund.

(e) Franchisee understands and agrees that Franchisor has no obligation to provide any Suppliers and Franchisee agrees that Franchisor's ability or inability to do so does not make it liable or responsible in any way for the Franchisee's success or failure as a Blue-Grace® Logistics Franchised Business.

(f) In the event that Franchisee requires customized programming specific to the Franchised Business, Franchisor reserves the right to charge its then current programming fee in addition to the fees or additional charges incurred by or through any third-party to accomplish such programming.

#### **6.4 Pre-Opening Support**

Before Franchisee opens its Franchised Business location, Franchisor will provide the following assistance and services:

(a) Franchisor may, in its discretion, provide Franchisee with site criteria which will define the physical, demographic and geographic characteristics of a Franchised Business location in accordance with Section 5.1 herein.

(b) Franchisor may review Franchisee's contract or lease for the Franchised Business location in accordance with Section 5.4 herein.

- (c) Franchisor will provide Initial Training in accordance with Section 6.2 herein.
- (d) Franchisor will loan to Franchisee a copy of the Confidential Operating Manual, handbooks and other related materials.
- (e) Franchisor may, in its sole discretion, provide Franchisee with a list of Suppliers as may be revised from time-to-time.
- (f) Franchisor will establish and enforce System Standards.
- (g) If Franchisor requires Franchisee to engage in local advertising, marketing and promotional programs or use Social Media Platforms, Franchisor may, in its sole discretion, design all business stationery, business cards, advertising plans and materials, marketing plans and materials, promotional plans and materials, sales plans and materials, public relations programs, signs, decorations and paper goods (such materials whether created by Franchisor, Franchisee or any third-party are defined collectively as “Advertising Materials”) and Social Media Materials used in the System. Franchisor will provide standards for all Advertising Materials, Social Media Materials and use of Social Media Platforms. Franchisor may, in its sole discretion, make available to Franchisee approved Advertising Materials and Social Media Materials for use by franchisees.
- (h) Franchisor may, in its sole discretion, provide Franchisee with business forms to be used in the operation of the Franchised Business.
- (i) Franchisor will specify requirements for certain types of insurance coverage in accordance with Section 7.13 herein.
- (j) Franchisor will provide Franchisee with secure passwords to gain access to the Blue-Grace® Logistics technology resources.

## **6.5 Post-Opening Support**

Subsequent to Franchisee’s opening the Franchised Business location:

- (a) Franchisor may, in its sole discretion, invite Franchisee to attend any meetings with Franchisor’s personnel and other Blue-Grace® Logistics franchise owners, including but not limited to a mandatory attendance at an annual franchise meeting, when and if these meetings occur, to be determined in Franchisor’s discretion.
- (b) Franchisor may, in its sole discretion, provide Franchisee or its Operating Principal and its employee(s) with additional training including, but not limited to, sales development assistance at Franchisor’s office or at another facility designated by Franchisor, which could include Franchisee’s office after the Franchised Business has begun operating.
- (c) Franchisor may, in its sole discretion, provide periodic counseling to Franchisee in the operation of Franchisee’s Franchised Business. This periodic counseling may be provided in person, via telephone, seminars, newsletter or bulletins, Intranet or any other method selected

by Franchisor.

(d) Franchisor may, in its sole discretion, provide Franchisee with field support services, subject to the availability of Franchisor's trained personnel.

(e) Franchisor shall provide Franchisee with an email account for the Franchised Business. Franchisee is prohibited from maintaining and operating a website for the Franchised Business. Franchisor may, in its sole discretion, host a sub-site that includes information about Franchisee's Franchised Business.

(f) Franchisor will provide Franchisee with access to Franchisee's sales records and reports maintained by Franchisor or its Affiliates.

(g) Franchisor will maintain the Blue-Grace® Logistics technology resources.

## **6.6 The Blue-Grace® Logistics Brand Fund**

(a) Franchisor reserves the right to institute, maintain and administer a Brand Fund. If the Franchisor elects to institute a Brand Fund, Franchisee shall be required to make monthly Brand Fund Contributions in accordance with Section 4.4 herein. Franchisor and its Affiliates may contribute or loan additional funds to the Brand Fund on any terms Franchisor deems reasonable. Franchisor and/or Affiliate owned franchises may contribute to the Brand Fund at a rate equal to the then-current Brand Fund Contribution rate required of franchisees.

(b) Franchisor will administer the Brand Fund with sole discretion over all operational and advertising decisions including: (i) the creative concepts, materials, endorsements and media used in connection with such programs (which may include television, radio, print and Internet advertising, maintenance of a website and use of Social Media Platforms as funds permit); (ii) the source of the advertising, marketing, promotional or public relations efforts (which may be in-house or through an outside agency located locally, regionally or nationally); (iii) the placement and allocation of such programs (which will be local, regional or national); and (iv) the composition of all geographic territories and market areas for the development and implementation of such programs.

(c) The Brand Fund may be used in any of the following ways:

(i) to create and implement Advertising Materials and Social Media Materials;

(ii) to assist franchisees in developing Advertising Materials and Social Media Materials and using Social Media Platforms;

(iii) in connection with the use of radio, television, print, sports and cable programs and other forms of production and media as well as Social Media Platforms;

- (iv) to review any and all locally produced Advertising Materials and Social Media Materials;
- (v) for purposes of website design and maintenance for search engine optimization;
- (vi) to conduct market research;
- (vii) to undertake sponsorships;
- (viii) to pay related retainers;
- (ix) to conduct customer surveys and customer interviews;
- (x) to retain celebrities for endorsement purposes;
- (xi) to pay membership dues to associations; and
- (xii) to establish a third-party facility to customize Advertising Materials and Social Media Materials.

(d) The Brand Fund will be administered by Franchisor. Any unused portion of the Brand Fund in any calendar year will be applied to the following year's Brand Fund. Advertising Materials and Social Media Materials, if developed, may be sold to Franchisee at cost. Franchisor reserves the right to receive payment for providing goods or services to the Brand Fund.

(e) The Brand Fund will not be used primarily by Franchisor to advertise and promote the sale of franchises. Franchisor intends the Brand Fund to maximize recognition of the Principal Trademarks and patronage of the Blue-Grace® Logistics System in any manner Franchisor determines will be effective, including, but not limited to, expenditures related to the development and maintenance of the Blue-Grace® Logistics website and direct mail programs. Franchisor may structure the organization and administration of the Brand Fund in any way it determines best benefits the System, in its sole discretion. Franchisor will attempt to spend monies in the Brand Fund in such a way as to provide benefits to all participating franchisees, but makes no guarantees that Franchisee will benefit pro rata or at all from its Brand Fund Contributions. Franchisor need not ensure that Brand Fund expenditures in or affecting any geographic area are proportionate or equivalent to Brand Fund Contributions by Blue-Grace® Logistics franchisees operating in that geographic area. The Brand Fund will not be used to advertise, market and promote any individual franchised business, except to benefit the System as determined in Franchisor's sole discretion.

(f) Since the Brand Fund is not audited, Franchisor will not make audited financial statements available to Franchisee. Franchisor will, upon Franchisee's written request, provide once a year an un-audited accounting for the Brand Fund that shows how the Brand Fund

proceeds have been spent for the previous year, within one hundred and twenty (120) days after the fiscal year end. Franchisor shall not be required to provide any other periodic accounting of how the Brand Fund is spent.

(g) Franchisor will account for the Brand Fund separately from its other funds and not use the Brand Fund for any of its general operating expenses. However, Franchisor may use the Brand Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Brand Fund, the Brand Fund's other administrative costs, travel expenses of personnel while they are on Brand Fund business, meeting costs, overhead relating to the Brand Fund business, costs relating to maintaining the Blue-Grace® Logistics website, and other expenses that Franchisor incurs in activities reasonably related to administering or directing the Brand Fund and its programs, including, without limitation, conducting market research, public relations, preparing Advertising Materials and Social Media Materials and collecting and accounting for Brand Fund Contributions. Any Advertising Materials and Social Media Materials developed by the Brand Fund will be made available to Franchisee at cost.

(h) The Brand Fund will not be Franchisor's asset. Although the Brand Fund is not a trust, Franchisor will hold all contributions to the Brand Fund for the benefit of the contributors and use the Brand Fund only for the purposes described in this Section 6.6. Franchisor does not owe any fiduciary obligation to Franchisee for administering the Brand Fund or for any other reason. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund Contributions in that year, borrow from Franchisor or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. The Brand Fund will use all interest earned on Brand Fund Contributions to pay costs before using the Brand Fund's other assets.

(i) Franchisor may at any time defer or reduce Franchisee's Brand Fund Contribution rate. Franchisor may, upon thirty (30) days' prior notice to Franchisee, reduce or suspend Brand Fund operations and contributions for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund. If Franchisor terminates the Brand Fund, Franchisor will either spend all of the Brand Fund or distribute the unspent portion of the Brand Fund to its franchisees and affiliates in proportion to their respective Brand Fund Contributions during the preceding twelve (12) month period.

## **VII. DUTIES OF FRANCHISEE**

### **7.1 Commencement of Operations**

Franchisee shall commence operation of the Franchised Business no later than one hundred twenty (120) days after the Effective Date unless Franchisee has received a written extension of time from Franchisor, which Franchisor may give, in its sole discretion, but is under no obligation to provide. Prior to commencing operations, Franchisee must comply with the provisions of this Agreement, the System Standards, the Confidential Operating Manual and other requirements of Franchisor including, but not limited to the following:

(a) Franchisee must obtain all necessary licenses and permits and comply with all laws applicable to the Franchised Business. Franchisee must furnish to Franchisor, upon

Franchisor's written request, evidence of such, including, but not limited to, copies of all permits and certifications as may be required for the lawful operation of the Franchised Business, together with copies of any building inspection report and certification from all governmental authorities having jurisdiction over the Franchised Business location indicating that all necessary permits have been obtained and all requirements for construction and operation have been met;

(b) Franchisee or its Operating Principal and at least one (1) full-time employee must have completed training to Franchisor's satisfaction;

(c) Franchisee must deliver to Franchisor copies of the required insurance policies, licenses and notification of having registered Franchisee's fictitious or assumed name as designated by Franchisor;

(d) Franchisee must have paid all amounts due to Franchisor relating to pre-opening expenses and fees;

(e) Franchisee must have executed all agreements required for the opening of the Franchised Business including this Agreement, any lease and any other agreements required by Franchisor; and

(f) Franchisee cannot be in default under any agreement with Franchisor, Franchisor's Affiliates, any Supplier or any third-party to whom Franchisee is obligated to pay related to the Franchised Business.

## **7.2 Compliance with the Confidential Operating Manual**

(a) Franchisee agrees and acknowledges that the Confidential Operating Manual shall be deemed to have been incorporated by reference to this Agreement. To protect the reputation and goodwill of Franchisor and to maintain high standards of operation for the Blue-Grace® Logistics System, Franchisee expressly agrees to conduct the Franchised Business in accordance with the Confidential Operating Manual, other written directives that Franchisor may issue from time-to-time and any other manuals and materials created or approved for use in the operation of the Franchised Business.

(b) Franchisor may from time-to-time revise the contents of the Confidential Operating Manual and the contents of any other manuals and materials created or approved for use in the operation of the Franchised Business. Franchisee expressly agrees to comply with each new or modified standard. Franchisee shall, at all times, ensure that the Confidential Operating Manual is kept current and up-to-date.

## **7.3 Management Requirements**

Franchisor requires that the Franchised Business shall at all times be under the direct supervision of Franchisee or, if Franchisee is an entity, its Operating Principal or designated full-time operating manager. Franchisee or, if Franchisee is an entity, its Operating Principal and at least one (1) full-time employee must have successfully completed Franchisor's Initial Training

program and any refresher training required by Franchisor and work a minimum of forty (40) hours per week in the Franchised Business. Franchisee agrees that it will at all times faithfully, honestly and diligently perform its obligations hereunder and that it will not engage in any business or other activities that will conflict with its obligations hereunder. Franchisee shall maintain a competent, conscientious, trained staff which is of the highest caliber, in a manner which shall be detailed in the Confidential Operating Manual or otherwise in writing by Franchisor.

#### **7.4 System Standards**

(a) Franchisee agrees to maintain and operate the Franchised Business consistent with the Franchisor's System Standards. Franchisee agrees to effect such reasonable maintenance as Franchisor from time-to-time requires to maintain and operate the Franchised Business. If at any time in Franchisor's reasonable judgment the conduct of the Franchised Business does not meet the System Standards, Franchisor shall so notify Franchisee, specifying the action to be taken by Franchisee to correct such deficiency. If Franchisee fails or refuses to initiate and complete, within ten (10) days after receipt of such notice, a bona fide program to complete any required corrective actions, Franchisor shall have the right, in addition to all other remedies, to enter upon the Franchised Business location and effect such corrective actions on behalf of Franchisee and Franchisee shall pay all costs thereof on demand. Franchisee's obligation to initiate and continue any required corrective actions shall be suspended during any period in which such corrective actions is impractical due to war, civil disturbance, natural disaster, labor dispute or other event beyond Franchisee's control.

(b) Franchisor periodically may modify its System Standards, which may accommodate regional or local variations. Franchisee agrees to implement any changes in mandatory System Standards within the time period Franchisor requests as if the same were a part of this Agreement on the Effective Date.

(c) Under no circumstances may Franchisee operate any business other than a Blue-Grace® Logistics business from the Franchised Business location. Similarly, under no circumstances may Franchisee place any non-Blue-Grace® Logistics signage at the Franchised Business location.

#### **7.5 Approved Products and Supplies**

Franchisee agrees and acknowledges that Franchisee shall sell and offer for sale only those products and services approved by Franchisor from the Franchised Business location. Franchisee must sell and offer for sale all products and services elected by Franchisee in the manner required by Franchisor. Franchisee shall immediately discontinue selling and offering for sale any product and/or services that Franchisor disapproves in writing.

#### **7.6 Franchisor's Right to Inspect and Audit the Franchised Business**

(a) To determine whether Franchisee is complying with this Agreement and all



mandatory System Standards, Franchisor and its designated agents or representatives may at all reasonable times and for reasonable purposes upon fifteen (15) days prior notice from Franchisor to Franchisee inspect the Franchised Business location and inspect and copy any books, records, sales and income tax record and returns, documents relating to the Franchised Business and records relating to Franchisee's customers, clients, suppliers, employees and agents.

(b) If Franchisor exercises any of these rights, Franchisor will not interfere unreasonably with the operation of the Franchised Business.

(c) Franchisee agrees to cooperate fully with Franchisor, Franchisor's representatives and/or independent accountants in any inspection and/or audit of books and records.

(d) Franchisee agrees to present to its customers the evaluation forms that Franchisor periodically may prescribe and to participate and/or request its customers to participate in any surveys performed by or for Franchisor.

## **7.7 Accounting and Records**

Franchisee must maintain all financial, sales, accounts, books, data, licenses, contracts, product supplier invoices, management reports and records for a period of seven (7) years or longer as required by government regulations.

## **7.8 Reporting Requirements**

(a) All financial information provided by Franchisee to Franchisor must be accurate and correct in all material respects. All financial information provided by Franchisee must also be prepared in accordance with accounting methods acceptable to Franchisor or otherwise in writing. Unless required due to Franchisee's underreporting, there are no requirements for audited financial statements.

(b) Franchisee agrees that Franchisor may periodically request and Franchisee must provide to Franchisor a copy of all quarterly, annual or other tax returns filed by Franchisee, including Form 941, including all federal and state income tax returns and state sales or equivalent tax returns.

(c) Franchisee must provide Franchisor with all other financial reports, statements and information that Franchisor may periodically require in the forms and at the times and places reasonably specified by Franchisor or otherwise in writing, including, but not limited to, electronic communication.

(d) Franchisee authorizes Franchisor and its Affiliates to initiate debit entries and credit correction entries to Franchisee's checking, savings, operating or other account for the payment of the Freight Royalty and Parcel Royalty, if applicable, Brand Fund Contributions and any other amounts due from Franchisee under this Agreement.

(e) If requested by Franchisor, Franchisee must provide Franchisor annually, within three (3) months after the end of the fiscal year, with a statement of revenue, expenses, and income or loss for the year and of assets and liabilities as of the end of the year, which must be prepared in accordance with generally accepting accounting principles.

## **7.9 Use of Approved Branding**

Franchisee agrees to use in conjunction with the Franchised Business only that signage, emblems, lettering, logos and display materials that Franchisor approves from time-to-time.

## **7.10 Local Advertising**

(a) Franchisor does not currently require Franchisee to conduct any local advertising, marketing or promotional programs (“Local Advertising”); however, Franchisor reserves the right to do so. Upon written notice to Franchisee, during the term of this Agreement, Franchisee shall spend up to one percent (1%) of Franchisee’s annual Gross Revenues for the previous calendar year on Local Advertising; the exact amount on an annual basis shall be an amount which together with Franchisee’s Brand Fund Contributions equals one percent (1%) of Franchisee’s Gross Revenues (“Local Advertising Payments”). If Franchisee begins operating within a calendar year, your Local Advertising Payments shall begin during Franchisee’s first full calendar year, and the amounts to be paid during Franchisee’s first full calendar year will be based upon its Gross Revenues for the preceding partial calendar year adjusted on an annualized basis. Any discrepancy between the Local Advertising Payments incurred for Franchisee’s first year and the amount equal to one percent (1%) of Franchisee’s annual Gross Revenues for the first year less Brand Fund Contributions for that period will be credited against or added to the amount required to be incurred for the second year. Upon request, Franchisee shall submit proof of expenditures to Franchisor.

(b) All advertising, marketing and promotional efforts will be conducted in accordance with the reasonable discretion of Franchisee in an approved annual marketing plan.

(c) Costs and expenditures that Franchisee incurs for any of the following are excluded from Franchisee’s Local Advertising Payments:

(i) salaries and expenses of any of Franchisee’s employees, including salaries or expenses for attendance at advertising meetings or activities;

(ii) costs of fixtures or equipment;

(iii) seminar and educational costs and expenses of Franchisee’s employees;  
and

(iv) expenditures relating to the use of Social Media Platforms and/or the development and/or use of Social Media Materials.

(d) Upon Franchisor's request, Franchisee must submit an itemized report documenting proof of Local Advertising Payments to Franchisor in a form Franchisor may require in its sole discretion. In the event that Franchisee fails to make its required Local Advertising Payments, Franchisor reserves the right to require Franchisee to contribute to the Brand Fund any amount required but not spent by Franchisee on Local Advertising Payments.

(e) If required, all Advertising Materials, Social Media Materials and other items Franchisor designates must bear the Principal Trademarks in the form, color, location and manner Franchisor prescribes and must meet all of Franchisor's standards and requirements. Franchisee's Advertising Materials and Social Media Materials must be conducted in a dignified manner and conform to the standards and requirements that Franchisor states periodically or otherwise approved by Franchisor in writing.

(f) Franchisee must obtain Franchisor's approval (i) before Franchisee uses any Advertising Materials and Social Media Materials if Franchisor has not prepared or approved the Advertising Materials and/or Social Media Materials within the previous twelve (12) months; and (ii) before Franchisee initially uses any Social Media Platform. Franchisee must submit all unapproved Advertising Materials, Social Media Materials and requests to use Social Media Platforms to Franchisor via certified mail or electronic mail. Franchisor will approve or disapprove such request within ten (10) days after submission. If Franchisee does not receive written approval within ten (10) days after submission, Franchisee's request is deemed disapproved. Franchisor may withhold its approval of Franchisee's use of any Advertising Material, Social Media Material or Social Media Platform for any reason and no reason at all. Franchisee may not use any unapproved Advertising Material, Social Media Material or Social Media Platform. Franchisor has the right to revoke its prior approval of Franchisee's use of any Advertising Material, Social Media Material or Social Media Platform. Franchisee must promptly discontinue use of any Advertising Material, Social Media Material and/or Social Media Platform, whether or not previously approved, on twenty-four (24) hours' notice from Franchisor. Franchisor has the right to require Franchisee to stop, revise, delete or remove any objectionable Social Media Material from any Social Media Platform, as determined by Franchisor in its sole discretion, including but not limited to any previously approved Social Media Material.

(g) All Advertising Materials, Social Media Materials and Social Media Platform usage must indicate that Franchisee is operating the Franchised Business as an independent franchisee of Franchisor.

(h) Except in the case of a minor violation that Franchisor, in its sole discretion, determines Franchisee can immediately cure, Franchisee must pay to the Brand Fund five thousand (\$5,000.00) dollars in liquidated damages for failing to obtain approval or authorization of advertising, marketing or promotional material.

(i) Franchisee shall not employ any person to act as a representative of Franchisee in connection with local promotion of the Franchised Business in any public media without the prior written approval of Franchisor.

## **7.11 Advertising Cooperative**

There is currently no advertising cooperative in the System. However, Franchisor reserves the right to establish regional advertising cooperative(s) and to require Franchisee to contribute monies to an advertising cooperative, but only to the extent that no Brand Fund or Local Advertising initiatives exist. Franchisor will have the right, in its sole discretion, to determine how funds paid into any such advertising cooperative are expended. Any financial contributions made by Franchisee to the advertising cooperative may be credited against Franchisee's required expenditures for Local Advertising. Franchisor owned units, including any units owned by Franchisor's Affiliates, may be active members of any cooperative and may possess voting power in accordance with the rules of the cooperative as Franchisor may determine in its sole discretion.

## **7.12 Computer Software and Hardware**

(a) Franchisee may be required to obtain and maintain computer hardware and software that meets Franchisor's specifications for the Franchised Business. Franchisor currently requires Franchisee to purchase customer relationship management software from Salesforce™ and if Franchisee elects to perform any form of email marketing campaign, Franchisee is required to utilize the services of Constant Contact®. Currently, Franchisor does not require Franchisee to obtain any specific brand of computer hardware, software and information or communications systems other than Salesforce™ and Constant Contact®. Franchisor requires that Franchisee's computer system must be able to run software that Franchisor may, in its sole discretion, require Franchisee to use in the operation of the Franchised Business. Franchisee shall be required to maintain a high-speed connection to the Internet. Franchisor may require Franchisee to utilize specified communications software as Franchisor may require.

(b) Franchisee must install and use the hardware, software and Internet service in the manner required by Franchisor. Franchisee must implement and periodically upgrade and make other changes to the hardware, software and Internet service as required by Franchisor, without limitation, and at Franchisee's expense. There are no contractual limitations on the frequency and cost of required upgrades or updates to the computer system and required software. Franchisee is solely responsible for protecting itself from viruses, computer hackers and other computer-related problems and Franchisor shall not be liable for any harm caused by such computer-related problems.

(c) Franchisee must use hardware and software, including administrative software, which accommodates an online system that gives Franchisor access to Franchisee's business records via the Internet. Franchisee must allow Franchisor to establish and maintain communication with Franchisee's computer system via a dedicated data transmission line to retrieve information related to sales, customer and financial data, as required by Franchisor. Franchisor shall have the right to access Franchisee's computer system remotely for the purposes set forth in the previous sentence and in the manner, form and at the times Franchisor may require. All such information derived from or pertaining to the Franchised Business shall be the property of Franchisor and Franchisor will have the right to use such information in any manner that it deems appropriate without compensation to Franchisee. Franchisee must provide

Franchisor with any user identification and/or password necessary for Franchisor to gain access via the Internet to Franchisee's computer system and the records contained therein.

### **7.13 Insurance**

(a) Prior to Franchisee opening the Franchised Business, Franchisee must obtain insurance coverage for the Franchised Business in at least the amounts specified below. This insurance coverage must be maintained during the term of the Agreement and must be obtained from a responsible carrier or carriers rated "A" or better by A.M. Best & Company, Inc., and be approved by Franchisor. The insurance coverage must include the following:

(i) Commercial general liability insurance providing coverage on an occurrence form basis with limits of not less than \$1,000,000.00 per person per occurrence for bodily injury and property damage combined, \$2,000,000.00 annual general aggregate, and \$2,000,000.00 products and completed operations annual aggregate. All liability insurance policies must:

(1) include premises and operations liability coverage, products and completed operations liability coverage and broad form property damage coverage including completed operations;

(2) include blanket contractual liability coverage including, to the maximum extent possible, coverage for Franchisee's indemnifications under the Agreement;

(3) provide that the insurance company has the duty to defend all parties insured under the policy;

(4) provide that the defense costs are paid in addition to, and not in depletion of, any of the policy limits; and

(5) cover liabilities arising out of or incurred in connection with Franchisee's use, operation, occupancy, franchising, licensing, leasing or ownership of the Franchised Business.

(ii) Workers' compensation insurance or similar insurance as required by the law of the state or jurisdiction in which the Franchised Business is located. This insurance must be maintained for trainees, as well as for those employed or engaged in the operation of the Franchised Business. This coverage must have a minimum limit of the greater of \$100,000.00 or the statutory minimum limit.

(iii) Business interruption insurance to cover Franchisee's losses of revenues and ongoing expenses and to cover any amounts due and owing to Franchisor under the Agreement, including, but not limited to, the Royalties that Franchisor would have received had the business interruption not occurred based upon the average of royalty receipts for all franchises for that sales period or any other agreement between Franchisee and Franchisor and/or its Affiliate(s), in an amount not less than the actual loss resulting from an interruption of

business for a minimum twelve (12) months.

(iv) Automobile liability coverage, including coverage of owned, non-owned and hired vehicles with coverage in amounts not less than \$500,000.00 with combined single limit per occurrence for bodily injury and property damage or a \$250,000.00/\$500,000.00 split limit for Franchisee and each employee.

(v) Any insurance required by law in the state or locality in which the Franchised Business will operate.

(vi) For any construction, renovation remodeling or build-out of the Franchised Business, Franchisee must maintain builder's risk insurance and performance and completion bonds in the forms and amounts and written by a carrier or carriers satisfactory to Franchisor.

(vii) Employment practices liability insurance covering claims made by Franchisee's employees or potential employees including, but not limited to, discrimination, wrongful termination, sexual harassment and other employment related claims.

(b) Franchisee may, with Franchisor's prior written may consent, elect to have reasonable deductibles under the coverage required above.

(c) All of the insurance policies must name Franchisor, its Affiliates and the respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds and must include a waiver of subrogation in favor of all parties.

(d) Franchisee must provide Franchisor with written proof of Franchisee's purchase of the above required insurance policies no later than the business day before Franchisee intends to commence operations of the Franchised Business.

(e) Franchisee must provide Franchisor with proof of Franchisee's continued insurance coverage no later than (30) days before the expiration of Franchisee's insurance policies. For purposes hereof, proof of purchase of insurance and/or continued insurance coverage shall include written evidence of insurance issued by the insurance company to Franchisee showing compliance with the above requirements. In the event Franchisee fails to purchase the required insurance, Franchisor may, in its sole discretion, pay for the required insurance policies on behalf of Franchisee. Franchisor reserves the right to charge Franchisee a reimbursement fee equal to Franchisor's expenditures in obtaining Franchisee's insurance policies. Franchisee's insurance policies will not be limited in any way by any insurance policy maintained by Franchisor.

(f) Each insurance policy must contain a statement by the insurer that the policy will not be cancelled or materially altered without at least thirty (30) days' prior written notice to Franchisor. In the event of cancellation of any insurance policy, Franchisor requires Franchisee to purchase a similar insurance policy before the effective date of cancellation, so that at all

times, Franchisee is insured in accordance with our requirements. In the event any insurance policy is subsequently materially altered, that insurance policy must, at all times, remain in compliance with our requirements.

(g) Franchisee may not reduce any insurance limit, restrict any insurance coverage or cancel any insurance policy without Franchisor's written consent. Franchisee may alter, amend or upgrade any insurance policy without Franchisor's written consent provided that Franchisee maintains the minimum insurance required and Franchisee provides Franchisor with notice of such alteration, amendment or upgrade to the insurance coverage. If Franchisee fails to obtain or maintain any required insurance, Franchisor may terminate the Agreement in accordance with Section 14.4 below.

(h) If the circumstances require, in its sole discretion, for the protection of Franchisee and the Blue-Grace® Logistics System, Franchisor may increase or modify the insurance limits noted above and Franchisor may, in its sole discretion, require additional types of insurance. If the cost of the above insurance becomes cost prohibitive for Franchisee then Franchisor may, in its sole discretion, modify the insurance requirements on a case by case basis, to provide lower limits until the insurance becomes available at a more reasonable cost.

#### **7.14 Security Interest and Collateral Assignment of Accounts Receivables**

(a) Franchisee hereby grants to Franchisor and its Affiliates a security interest in any and all of Franchisee's assets of the Franchised Business and any proceeds thereof, including but not limited to the fixtures, equipment, furnishings, vehicles and signage (collectively the "Operating Assets"), all accounts receivables and the proceeds of any insurance. The security interest granted herein secures: (i) all of Franchisee's obligations to Franchisor and its Affiliates(s) under this Agreement and any other agreement between Franchisee and Franchisor or its Affiliate(s); and (ii) all costs and expenses which Franchisor and its Affiliate(s) may incur in the administration and collection of these obligations. This Agreement shall constitute a security agreement and upon request of Franchisor or its Affiliate(s), Franchisee shall execute any additional instruments required to perfect this security interest including without limitation, a standard Uniform Commercial Code ("UCC") financing statement. Franchisee authorizes Franchisor and/or its Affiliate(s):

(1) to file a copy of this Agreement, a UCC financing statement and any other documents that may be necessary to perfect the security interest granted herein; and

(2) to sign on behalf of Franchisee and to file in any jurisdiction with or without signature of Franchisee, financing statements with respect to this security interest and security agreement.

(b) Franchisee grants Franchisor a collateral assignment of all of Franchisee's account receivables invoiced by Franchisee for any services provided under the terms of this Agreement as collateral for the Franchisee's performance of all of its obligations to the Franchisor arising under this Agreement without the need of any further documentation or assignment. Upon a default by Franchisee under this Agreement and Franchisee's failure to cure

such default within the cure period, if applicable, Franchisor shall have the right, but not the obligation, and is hereby empowered to take such actions as may be necessary to collect the Franchisee's account receivables from third-parties and Franchisee shall give its full cooperation to Franchisor should Franchisor elect to recover any such account receivables from third-parties, whether by suit or otherwise.

### **7.15 Indemnification**

(a) Franchisee shall indemnify, defend and hold harmless Franchisor, its Affiliates and their respective shareholders, officers, directors, employees, agents, successors and assignees (the "Indemnified Parties") against and to reimburse any one or more of the Indemnified Parties for all third-party claims, obligations and damages arising directly or indirectly from the operation of the Franchised Businesses or Franchisee's breach of this Agreement, including, without limitation, those alleged to be or found to have been caused by the Indemnified Party's negligence or willful misconduct, unless (and then only to the extent that) the claims, obligations or damages are determined to be caused solely by Franchisor's gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction.

(b) For purposes of this Section 7.15 and Franchisee's indemnification, "claims" include all obligations, damages (actual, consequential or otherwise) and costs that any Indemnified Party incurs in defending any third-party claim against it including, without limitation, accountants', arbitrators', attorneys' and expert witness' fees, costs of proof of facts, court costs, travel and living expenses and other expenses of litigation, arbitration or alternative dispute resolution. Each Indemnified Party may defend any claim against it at Franchisee's expense and agree to settlements or take any other remedial, corrective or other actions. This indemnity will 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 Franchisee under this subsection. Franchisee agrees 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 Franchisee under this subsection.

### **7.16 Licensing, Taxes and Compliance with Laws**

(a) Franchisee shall ensure that the Franchised Business and each of Franchisee's employees at the Franchised Business meet and maintain the highest standards and shall satisfy all safety and regulation standards which may be imposed upon the Franchised Business and/or its employees, including obtaining all required licenses and permits. It is Franchisee's obligation to determine if Franchisee must be licensed in connection with operating the Franchised Business and take whatever steps are necessary to meet the requirements of any regulation regarding the operation of the Franchised Business. Franchisee shall provide to Franchisor, within five (5) days of Franchisee's receipt thereof or Franchisor's request, a copy of all inspection reports, warnings, citations, certificates and/or ratings required by law or which result from inspections, audits or inquiries conducted by federal, state or municipal agencies with



jurisdiction over the Franchised Business.

(b) Franchisee shall also pay when due all taxes levied or assessed, including unemployment and sales taxes and Franchisee shall file when due all tax returns due from any individual or entity related to the Franchised Business. Franchisee shall pay to Franchisor an amount equal to any sales tax or gross receipts tax imposed upon Franchisor with respect to any payments to Franchisor required under the Agreement.

## **VIII. CONFIDENTIAL INFORMATION**

### **8.1 Restriction on Use of Confidential Information**

(a) Franchisor possesses (and will continue to develop and acquire) certain confidential information, knowledge, know-how, methods and procedures, some of which constitutes trade secrets under applicable law relating to developing and operating the Blue-Grace® Logistics business, including (without limitation): (i) site selection criteria; (ii) training and operations materials and manuals; (iii) methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating the System; (iv) Advertising Materials, Social Media Materials and use of Social Media Platforms; (v) database material, customer lists, records, files, instructions and other proprietary information; (vi) knowledge of specifications for and Suppliers of Operating Assets, products and supplies; (vii) any computer software or similar technology which is proprietary to Franchisor or its Affiliate(s), including, without limitation, the Blue-Grace® Logistics technology resources, digital passwords and identifications and any source code, as well as data, reports, and other printed materials; (viii) knowledge of the operating results and financial performance of the Blue-Grace® Logistics System other than the Franchised Business; and (ix) graphic designs and related intellectual property ( collectively "Confidential Information").

(b) It is the parties' intention that the Confidential Information is governed by the Confidentiality, Non-Use and Non-Competition Agreement attached hereto as Exhibit 6 and the Confidentiality, Non-Use and Non-Competition Agreement Form attached hereto as Exhibit 7. Franchisee acknowledges and agrees that Franchisor has granted the franchise in consideration of and in reliance upon Franchisee's agreement to execute the Confidentiality, Non-Use and Non-Competition Agreement attached hereto as Exhibit 6 and abide by its terms. Franchisee shall require any individual to whom Confidential Information is disclosed, or if a corporation, limited liability company or partnership, its officers, directors, shareholders, employees, agents, subsidiaries and affiliates to execute a Confidentiality, Non-Use and Non-Competition Agreement form as a condition of such disclosure, in the form attached hereto as Exhibit 7.

### **8.2 Confidentiality of the Confidential Operating Manual**

Franchisee shall at all times, treat the Confidential Operating Manual, any written directives of Franchisor and any other manuals and materials and the information contained therein as confidential and shall maintain such information as a trade secret and confidential in accordance with the terms of the Confidentiality, Non-use and Non-Competition Agreement

attached hereto as Exhibit 6.

## **IX. COVENANTS**

### **9.1 In-Term Covenants**

(a) Franchisee acknowledges that Franchisor has granted it the franchise in consideration of and reliance upon Franchisee's agreement to deal exclusively with Franchisor. Franchisee therefore agrees that, during the term of this Agreement, neither Franchisee nor any of its Owners will:

(i) have any direct or indirect controlling interest as an owner — whether of record, beneficially, or otherwise — in a Competitive Business, as defined below, wherever located or operating;

(ii) have any direct or indirect non-controlling 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 subsection);

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

(iv) recruit or hire any person then employed, or who was employed within the immediately preceding twenty-four (24) months, as a sales representative, independent contractor, agent or employee at a franchised business operated by the Franchisor, its Affiliates or a franchisee without obtaining the employer's prior written permission;

(v) divert or attempt to divert any actual or potential business or customer of the Franchised Business to a Competitive Business; or

(vi) engage in any other activity which might injure the goodwill of the Principal Trademarks and the Blue-Grace® Logistics System;

(b) The term "Competitive Business" means: (i) any business involved in providing freight, specialized freight and parcel transportation and shipping services or auditing services, or (ii) any business granting franchises or licenses to others to operate such a business (other than a franchised business operated under a franchise agreement with Franchisor). Franchisee agrees to obtain similar covenants from the personnel that Franchisor specifies, including officers, directors, managers, and other employees attending Franchisor's training program or having access to Confidential Information. Franchisor has the right to regulate the forms of agreement that Franchisee uses and to be a third-party beneficiary of that agreement with independent enforcement rights.

(c) The term “Owner” means any individual or entity (including all spouses, partners, members or shareholders of such individual or entity) that holds a direct or indirect interest, as an owner, shareholder, member or partner, of five percent (5%) or more in Franchisee, if Franchisee is an entity, whether or not such interest is of record, beneficially or otherwise. “Owner” shall also include any individual (and spouses of such individuals) or entity that holds a direct or indirect interest, as an owner, shareholder, member or partner, of five percent (5%) or more in a partnership, corporation or limited liability company that holds a controlling interest in Franchisee.

## **9.2 Post-Term Covenants**

(a) Franchisee acknowledges that Franchisor has granted it the franchise in consideration of and reliance upon the agreement of Franchisee and its Owners to (1) comply with Franchisor’s in-term and post-term covenants; (2) maintain the confidentiality of all of the Confidential Information including trade secrets and to refrain from using any Confidential Information in any manner not permitted by Franchisor or its Affiliates, including to compete with the System; (3) protect and preserve the goodwill of the System; and (4) for other good and valuable consideration the sufficiency of which is hereby acknowledged by Franchisee. Accordingly, in consideration of (1), (2), (3) and (4) above, Franchisee and its Owners agree and acknowledge that for an uninterrupted period of two (2) years after the later of: (a) the termination or expiration of the Franchise Agreement (regardless of the cause for termination or expiration); (b) the transfer of the Franchised Business; or (c) the date of a final non-appealable judgment or order of any court, arbitrator, panel of arbitrators or tribunal that enforces this Section 9.2, neither Franchisee nor any of its Owners will have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, representative or agent in any Competitive Business located or operating within the continental United States.

(b) Additionally, in consideration of (1), (2), (3) and (4) in Section 9.2(a) above, Franchisee and its Owners agree and acknowledge that for an uninterrupted period of two (2) years after the later of: (a) the termination or expiration of the Franchise Agreement (regardless of the cause for termination or expiration); (b) the transfer of the Franchised Business; or (c) the date of final non-appealable judgment or order of any court, arbitrator, panel of arbitrators or tribunal that enforces this Section 9.2, neither Franchisee nor any of its Owners will not directly or indirectly (1) solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any sales representative, independent contractor, agent or employee of the Franchisor, its Affiliates or other franchisees of the Franchisor, or (2) directly or indirectly solicit, contact (including but not limited to e-mail, regular mail, express mail, telephone, fax, and instant message), attempt to contact or meet with the Franchisor's, its Affiliate's or other franchisees of the Franchisor's current, former or prospective customers for purposes of offering or accepting goods or services similar to or competitive with those offered by the Franchisor.

(c) Franchisee and its Owners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, enforcement of the covenants in this Section 9.2 will not deprive Franchisee or its

Owners of their personal goodwill or ability to earn a living.

(d) Franchisee and its Owners agree and acknowledge that each of the covenants contained herein are reasonable limitations as to time, geographical area and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. Franchisee and its Owners acknowledge and agree that the existence of any claims against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Article IX.

### **9.3 Procurement of Additional Covenants**

Franchisee acknowledges and agrees to require and obtain the execution of the Confidentiality, Non-Use and Non-Competition Agreement (Exhibit 7), from all of the following persons: (a) before employment or any promotion, all personnel Franchisee employs; (b) if Franchisee is a corporation or limited liability company, Franchisee's officers, directors, shareholders, members and those of any corporation or limited liability company directly or indirectly controlling Franchisee, at the same time as the execution of this Agreement (or at such later time as they assume such status); (c) if Franchisee is a partnership, all partners, at the same time as the execution of this Agreement (or at such later time as they assume such status); (d) all Owners at the same time as the execution of this Agreement (or at such later time as they assume such status); (e) all persons enumerated in the covenants not to compete set forth in this Agreement as intended to be embraced by them; and (f) all sales representatives, independent contractors and agents utilized by Franchisee in the Franchise Business, unless the Sales Agent Agreement currently approved by Franchisor is utilized. Franchisee agrees to furnish Franchisor with copies of all executed Confidentiality, Non-Use and Non-Competition Agreements upon Franchisor's request.

### **9.4 Enforcement of Covenants**

Franchisee and its Owners acknowledge and agree that Franchisor has a compelling interest in protecting the System and that the provisions of this Article IX protect Franchisor's System. Franchisee and its Owners acknowledge that violation of the provisions of this Article IX would result in immediate and irreparable injury to Franchisor for which there is no adequate remedy at law. Accordingly, Franchisee and its Owners consent to the entry of an injunction, without the need of a bond, prohibiting any conduct by Franchisee and its Owners in violation of the terms of this Article IX. Franchisee and its Owners expressly agree that it may conclusively be presumed that any violation of the terms of this Article IX was accomplished by and through the unlawful use of Franchisor's Confidential Information. Further, Franchisee and its Owners expressly agree that any claims that Franchisee or its Owners may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to Franchisor's enforcement of the covenants not to compete in this Agreement. Franchisee and its Owners agree to pay all costs and expenses, including attorneys' fees, experts' fees, court fees and all other expenses of litigation that Franchisor incurs to secure or protect Franchisor's rights under this Agreement or in connection with the enforcement of the confidentiality, non-use and non-competition covenants set forth in this Agreement.

## **9.5 Franchisee's Enforcement of Confidentiality, Non-Use and Non-Competition Agreements**

Franchisee acknowledges and agrees to vigorously and vigilantly prosecute breaches of any Confidentiality, Non-Use and Non-Competition Agreement (Exhibit 7) executed by any of the individuals referenced herein, and Franchisee acknowledges the right of Franchisor and its Affiliates, exercised in its or their sole judgment, to enforce the terms of each such executed Confidentiality, Non-Use and Non-Competition Agreement, including, without limitation, the right to bring civil actions to enforce its terms. In the event that Franchisor and/or its Affiliates commence action against an individual to enforce the terms of a Confidentiality, Non-Use and Non-Competition Agreement, Franchisee and its Owners agree to pay all of the costs and expenses including attorneys' fees, experts' fees, court fees and all other expenses of litigation that Franchisor and/or its Affiliates incur to secure or protect the rights under this Agreement or in connection with the enforcement of the terms of a confidentiality, non-use and non-competition covenants set forth in this Agreement. Franchisee agrees to prosecute such actions to the fullest extent permitted by law. Moreover, if provisions of a Confidentiality, Non-Use and Non-Competition Agreement have been breached by an individual employed, engaged or otherwise serving the Franchised Business, but who has not executed a Confidentiality, Non-Use and Non-Competition Agreement, Franchisee must nevertheless vigorously and vigilantly prosecute such conduct to the fullest extent permitted by law.

## **9.6 Severability of Covenants**

Franchisee and Franchisor agree that each of the covenants contained in this Article IX shall be construed independent of each other and any other covenant or provision within this Agreement.

## **9.7 Lesser Included Covenants Enforceable At Law**

If all or any portion of the covenants set forth in this Article IX are held unreasonable, void, vague or illegal by any court, arbitrator or agency with competent jurisdiction over the parties and subject matter, the court, arbitrator or agency will be empowered to revise and/or construe the covenants to fall within permissible legal limits, and should not by necessity invalidate the entire covenants. Franchisee and its Owners acknowledge and agree to be bound by any lesser covenant subsumed within the terms of this Article as if the resulting covenants were separately stated in and made a part of this Agreement.

## **9.8 Reduction of Obligations**

Franchisor may unilaterally, at any time and in its sole discretion, revise any of the covenants in this Article IX so as to reduce the obligations of Franchisee hereunder.

## **X. ASSIGNMENT AND TRANSFERS**

### **10.1 By Franchisor**

Franchisee acknowledges that Franchisor maintains a staff to manage and operate the System and that staff members can change. Franchisee represents that it has not signed this Agreement in reliance on any particular shareholder, director, officer, or employee remaining with Franchisor in any capacity. Franchisor may change its ownership or form and/or assign this Agreement and any other agreement to a third-party without restriction. In the event of Franchisor's assignment of this Agreement to a third-party who expressly assumes the obligations under this Agreement, Franchisor shall no longer have any performance or other obligations under this Agreement.

### **10.2 By Franchisee**

(a) Franchisee understands and acknowledges that the rights and duties this Agreement creates are personal to Franchisee (or, if Franchisee is an entity, to Franchisee's Owners) and that Franchisor has granted Franchisee the franchise in reliance upon its perceptions of Franchisee's (or its Owners') individual or collective character, skill, aptitude, attitude, business ability and financial capacity. Accordingly, neither this Agreement (nor any interest in this Agreement), the Franchised Business or substantially all of its Operating Assets, any ownership interest in Franchisee (regardless of its size) nor any ownership interest in any of Franchisee's Owners (if such Owners are legal entities) may be transferred without Franchisor's prior written consent, which consent may be withheld for any reason in Franchisor's sole discretion, subject to the provisions herein. Any transfer without Franchisor's consent is a breach of this Agreement and has no effect.

(b) Neither Franchisee nor any person possessing an interest or holding shares of stock or holding partnership or membership interests of any kind or nature in Franchisee shall be permitted to have the power, without the prior written consent of Franchisor, to give away, sell, assign, pledge, lease, sublease, devise or otherwise transfer, either directly or by operation of law or in any other manner, including, but not limited to, by reason of death, any interest or shares of stock of any kind or nature in Franchisee. In order to assure compliance by Franchisee with the transfer restrictions contained in this Section 10.2, all shares or stock certificates of Franchisee or Franchisee's operating agreement if Franchisee is a limited liability company shall at all times contain a legend sufficient under applicable law to constitute notice of the restrictions on such stock contained in this Agreement and to allow such restrictions to be enforceable. Such legend shall appear in substantially the following form:

“The sale, transfer, pledge or hypothecation of this ownership interest is restricted pursuant to the terms of Article X and Article XI of a franchise agreement dated [date] between Blue-Grace Franchise LLC and [the franchisee].”

(c) In this Agreement, the term "transfer" means to sell, assign, give away, pledge or encumber either voluntarily or by operation of law any interest in: (i) this Agreement; (ii) the

rights and/or obligations under this Agreement; (iii) all or substantially all of the assets of the Franchised Business; and/or (iv) any direct or indirect interest in the ownership of Franchisee.

### **10.3 Conditions for Approval of Transfer**

(a) If Franchisee (and its Owners) has fully complied with this Agreement and all other agreements with Franchisor or its Affiliate(s), then, subject to the other provisions of this Article X, Franchisor may, in its sole discretion, approve a transfer that meets the requirements of this Section 10.3. To effectuate any proposed transfer, Franchisee must comply with all of the following conditions either before or concurrently with the effective date of the transfer:

(i) Franchisee shall first notify Franchisor in writing of the proposed transfer and set forth a complete description of the terms of the proposed transfer, including the prospective transferee completing Blue-Grace® Logistics' then current franchise application form. Franchisor or its assignees may, within thirty (30) days after receipt of such notice exercise a right of first refusal to purchase the interest being offered by Franchisee pursuant to the provisions of Article XI herein;

(ii) transferee (and its owners if transferee is an entity) must demonstrate that it has sufficient business experience, aptitude, and financial resources to operate the Franchised Business and must meet all of Franchisor's then-current standards and requirements for becoming a Blue-Grace® Logistics franchisee (which standards and requirements need not be in writing);

(iii) Franchisee has paid all Freight Royalty, Parcel Royalty, Brand Fund Contributions and other amounts owed to Franchisor, its Affiliates and Suppliers; has submitted all required reports and statements; has cured all other breaches of this Agreement and any other agreement between Franchisee and Franchisor, its Affiliate(s) or any Supplier; and has satisfied all of its obligations under this Agreement and any other agreement with Franchisor, its Affiliate(s) and Suppliers;

(iv) neither 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;

(v) transferee (or its operating principal) and up to one (1) full-time employee must complete Franchisor's training program to Franchisor's satisfaction, at transferee's own expense;

(vi) Franchisee's landlord(s) permits Franchisee to assign or sublease the Franchised Business location to the transferee, if applicable;

(vii) transferee shall, or Franchisee shall (if the transfer is of a controlling ownership interest in Franchisee or one of its Owners), execute Franchisor's then-current form of franchise agreement and related documents, the provisions of which may differ materially from those contained in this Agreement for a term equal to the then-current term offered to new

franchisees, and agree to comply in all respects with all of Franchisor's requirements;

(viii) transferee shall upgrade the Franchised Business to meet Franchisor's then-current standards for a Blue-Grace® Logistics franchise;

(ix) transferee (and its owners) agrees and acknowledges that Franchisor is not responsible for any representations not included in the disclosure document or this Agreement;

(x) Franchisee or transferee pays Franchisor the transfer fee of \$5,000.00. The transfer fee is due when Franchisee requests approval of the transfer and is nonrefundable, whether or not the transfer actually occurs. However, Franchisor will not charge a fee for transfers made in accordance with Sections 10.4 and 10.5 herein;

(xi) Franchisee (and its transferring Owners) has executed a general release, in the form attached as Exhibit 2 in favor of the Released Parties;

(xii) Franchisor, in its sole discretion, has determined that the terms of the transfer, including but not limited to price, method and the extent of financing will not adversely affect the transferee's operation of the Franchised Business such that the Franchised Business would be placed at potential risk, nor that the terms of the transfer inaccurately reflect the actual market value of the franchise;

(xiii) if transferee or its owners finance any part of the purchase price, transferee or its owners agree that all of the transferee's obligations under any promissory notes, agreements, or security interests reserved in the Franchised Business are subordinate to the transferee's obligation to pay the Freight Royalty, Parcel Royalty, Brand Fund Contributions and other amounts due to Franchisor, its Affiliate(s), Suppliers and otherwise to comply with this Agreement;

(xiv) Franchisee and its Owners will not, for two (2) years beginning on the effective date of the transfer, engage in any of the activities prohibited in Section 9.2;

(xv) Franchisee and its Owners will not directly or indirectly at any time or in any manner (except with respect to other Blue-Grace® Logistics businesses that they own and operate, or otherwise upon the express written consent of Franchisor) identify themselves or any business as a current or former Blue-Grace® Logistics business or as one of the Franchisor's franchisees; use any Principal Trademarks, any colorable imitation of a Principal Trademark, or other indicia of a Blue-Grace® Logistics 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 Franchisor;

(xvi) Franchisor may require any transferee of any interest or shares of stock of any kind or nature in Franchisee to guarantee the obligations of Franchisee under this Agreement or under any new franchisee agreement entered into pursuant to Section 10.3(vii) above;



(xvii) Franchisor, in its sole discretion, determines that the terms of the transfer are substantially the same as those offered to Franchisor pursuant to Franchisor's right of first refusal in accordance with Article XI herein;

(xviii) transferee and its owners must pass a credit and criminal background check; and

(xix) Franchisee shall comply with all other applicable transfer requirements as designated by Franchisor or otherwise in writing.

(b) Franchisor may review all information regarding the Franchised Business that Franchisee gives the transferee, correct any information that it believes is inaccurate, and give the transferee copies of any reports that Franchisee has given Franchisor or Franchisor has made regarding the Franchised Business.

#### **10.4 Transfer To Franchisee's Legal Entity**

Notwithstanding the provisions of Section 10.3 above, if a proposed transfer is to a legal entity wholly-owned by Franchisee which is formed solely for the convenience of ownership, Franchisor's consent to transfer may be conditioned on the following requirements: (a) Franchisee is in full compliance with its obligations under the Agreement and all other agreements with Franchisor or its Affiliate(s); (b) the legal entity's activities will be confined exclusively to operating the Franchised Business; (c) the Franchised Business is conducted only by that legal entity; (d) Franchisee will own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all of the Franchised Business' assets are owned by the new entity; (e) each stock certificate of a corporation or certificate of interest of a partnership will have conspicuously endorsed on its face a statement in a form satisfactory to Franchisor that it is held subject to, and that further transfer is subject to, all restrictions on transfers in Article X and Article XI of this Agreement; (f) Franchisee or its Owners agrees to remain personally liable under this Agreement as if the transfer to the legal entity did not occur; and (g) the legal entity expressly assumes all of Franchisee's obligations under this Agreement.

#### **10.5 Death or disability of Franchisee**

##### **(a) Transfer Upon Death or Disability**

Upon Franchisee's or its Operating Principal's death or disability the executor, administrator, conservator, guardian, or other personal representative of Franchisee or its Operating Principal, must transfer Franchisee's interest in this Agreement, or the Operating Principal's ownership interest in Franchisee, to a third-party (which may be the heirs, beneficiaries, or devisees of Franchisee or its Operating Principal). That transfer must be completed within a reasonable time, not to exceed six (6) months from the date of death or disability, and is subject to all of the terms and conditions of this Article X. A failure to transfer Franchisee's interest in this Agreement or the Operating Principal's ownership interest in

Franchisee within this time period is a breach of this Agreement. The term "disability" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent Franchisee or the Operating Principal from supervising the management and operation of the Franchised Business.

(b) Operation Upon Death or Disability

If, upon the death or disability of Franchisee or the Operating Principal, a full-time employee is not managing the Franchised Business, the executor, administrator, conservator, guardian, or other personal representative of Franchisee or the Operating Principal must, within a reasonable time, not to exceed fifteen (15) days from the date of death or disability, appoint a full-time employee to manage the Franchised Business. The full-time employee must complete Franchisor's Initial Training program at Franchisee's expense. If the decedent is the Operating Principal, then a new Operating Principal acceptable to Franchisor must also be appointed within thirty (30) days. If, in Franchisor's judgment, the Franchised Business is not being managed properly any time after the death or disability of Franchisee or the Operating Principal, Franchisor may, but need not, assume management of the Franchised Business (or appoint a third-party to assume its management). All funds from the operation of the Franchised Business while it is under management by Franchisor (or the third party) will be kept in a separate account, and all expenses will be charged to this account. Franchisor may charge Franchisee (in addition to the Freight Royalty, Parcel Royalty, if applicable, Brand Fund Contributions, and other amounts due under this Agreement) a per diem fee, plus the direct out-of-pocket costs and expenses of Franchisor (or the third party), if Franchisor (or a third party) assumes management of the Franchised Business under this subsection. Franchisor (or a third party) has a duty to utilize only reasonable efforts and will not be liable to Franchisee or its Owners for any debts, losses, or obligations incurred by the Franchised Business, or to any of Franchisee's creditors for any products, other assets, or services the Franchised Business purchases, while Franchisor (or a third party) manages it.

## **10.6 Effect of Consent to Transfer**

Franchisor's consent to a transfer of this Agreement and the Franchised Business, or any interest in Franchisee or its Owners, is not a representation of the fairness of the terms of any contract between Franchisee and the transferee, a guarantee of the prospects of success of the Franchised Business or transferee, or a waiver of any claims Franchisor has against Franchisee (or its Owners) or of Franchisor's right to demand the transferee's full compliance with this Agreement. In the event of a transfer, Franchisee and/or its Owners shall continue to remain obligated to Franchisor in accordance with the terms of this Agreement.

## **XI. RIGHT OF FIRST REFUSAL TO ACQUIRE FRANCHISEE'S BUSINESS**

### **11.1 Franchisor's Right of First Refusal**

(a) If Franchisee (or any of its Owners) at any time determines to sell or transfer for consideration an interest in this Agreement and the Franchised Business, or an ownership interest

in Franchisee (except to or among its current owners, or to immediate family members of Franchisee or any of its Owners, or to a legal entity wholly-owned by Franchisee which is not subject to this subsection), in a transaction that otherwise could be permitted under Article X herein, Franchisee (and/or its Owners) agrees to obtain from a responsible and fully disclosed buyer and send to Franchisor 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 Franchisee or in this Agreement and the Franchised 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 or transfer price must be in a dollar amount and the proposed buyer must submit with its offer an earnest money deposit equal to twenty percent (20%) or more of the offering price. The right of first refusal process will not be triggered by a proposed transfer that would not be permitted under Article X. Franchisor may require Franchisee (or its Owners) to send Franchisor copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction. Franchisor has the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section 11.1.

(b) Franchisor may, by written notice delivered to Franchisee or its selling Owner(s) within thirty (30) days after it receives both an exact copy of the offer and all other information Franchisor requests, elect to purchase the interest offered under the same terms or conditions contained in the offer, provided that:

(i) Franchisor may, in its sole discretion, substitute cash, notes payable monthly up to five (5) years or some combination of each for any form of payment proposed in the offer (such as ownership interests in a privately-held entity) and Franchisor's credit shall be deemed equal to the credit of any proposed buyer;

(ii) Franchisor will have an additional thirty (30) days to prepare for closing after notifying Franchisee of its election to purchase; and

(iii) Franchisor must receive, and Franchisee and its 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, including, without limitation, representations and warranties regarding:

(1) ownership and condition of and title to ownership interests and/or assets;

(2) liens and encumbrances relating to ownership interests and/or assets; and

(3) validity of contracts and the liabilities, contingent or otherwise, of the entity whose assets or ownership interests are being purchased.

(c) If Franchisor exercises its right of first refusal, Franchisee and its selling Owner(s) agree that, for two (2) years beginning on the closing date, they will be bound by the

covenants contained in Section 9.2.

(d) If Franchisor does not exercise its right of first refusal, Franchisor shall, within thirty (30) days after the right to first refusal has expired, notify Franchisee in writing of its approval or disapproval of the prospective transferee. Franchisee or its Owners may complete the sale to the proposed buyer or transferee on the original offer's terms, but only if Franchisor approves the transfer in accordance with Section 10.3 and Franchisee (and its Owners) and the transferee comply with the conditions of that Section. This means that even if Franchisor does not exercise its right of first refusal (whether or not it is properly triggered as provided above), if the proposed transfer otherwise would not be allowed under Section 10.3, then Franchisee (or its Owners) may not complete the transfer.

(e) If Franchisee or its Owners does not complete the sale to the proposed buyer or transferee within sixty (60) days after Franchisor notifies Franchisee and/or any of its Owners that Franchisor does not intend to exercise its right of first refusal and the proposed transfer is approved, or if there is a material change in the terms of the transfer (of which Franchisee and/or its Owners agree to promptly advise Franchisor), then Franchisor or its 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 Franchisor's receipt of notice of the material change(s) in the terms of the sale or transfer, either on the terms originally offered or the modified terms, at the option of Franchisor or its designee.

## **11.2 Public Offerings**

Despite any other provisions in this Agreement, Franchisee (and its Owners) may not, without Franchisor's prior written consent, which Franchisor may grant or withhold for any or no reason whatsoever, attempt to raise or secure funds by selling or offering to sell any ownership interest in Franchisee (including, without limitation, common or preferred stock, bonds, debentures, membership interests, or general or limited partnership interests) in a public offering for which a registration statement must be filed with the Securities Exchange Commission or with any similar state regulatory authority having jurisdiction over the sale of securities where registration is required as a condition of the sale of securities in that state.

## **XII. PRINCIPAL TRADEMARKS AND COPYRIGHTED INFORMATION**

### **12.1 Ownership of the Principal Trademarks and Copyrighted Information**

Franchisee acknowledges that and agrees that Franchisor and/or its Affiliates are the owners of the Principal Trademarks and that Franchisor and/or its Affiliates claim copyrighted protection in certain material used in the System and in the development and operation of the System, including the Confidential Operating Manual, Advertising Materials, Social Media Materials and similar materials whether created Franchisor, any franchisee of Franchisor and/or any third-party ("Copyrighted Information"). Franchisor is authorized to license to Franchisee the limited right to use the Principal Trademarks and Copyrighted Information. Franchisee's right to use the Principal Trademarks and Copyrighted Information is derived solely from

this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all System Standards prescribed by Franchisor from time-to-time during the term of this Agreement. Franchisee agrees not to represent in any manner that Franchisee has acquired any ownership rights in the Principal Trademarks or Copyrighted Information. Any unauthorized use of the Principal Trademarks or Copyrighted Information by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Principal Trademarks and Copyrighted Information. Franchisee acknowledges and agrees that all usage of the Principal Trademarks and Copyrighted Information by Franchisee and any goodwill established by Franchisee's use of the Principal Trademarks and Copyrighted Information shall inure to the exclusive benefit of Franchisor; that this Agreement does not confer any goodwill or other interests in the Principal Trademarks or Copyrighted Information upon Franchisee; and that upon the expiration or termination of this Agreement for any reason, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Principal Trademarks or Copyrighted Information. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership, or assist another person in contesting the validity or ownership of any of the Principal Trademarks or Copyrighted Information. All provisions of this Agreement applicable to the Principal Trademarks and Copyrighted Information apply to any additional trademarks, service marks and commercial symbols authorized for use by and licensed to Franchisee by Franchisor after the Effective Date.

## **12.2 Use of Principal Trademarks and Copyrighted Information**

Franchisee shall not use any Principal Trademark or Copyrighted Information (a) as part of any corporate or trade name, (b) with any prefix, suffix, or other modifying words, terms, designs, or symbols or in any modified form, (c) in connection with the sale of any unauthorized product or service, (d) as part of any domain name, homepage, electronic address, or otherwise in connection with a website (unless in connection with Franchisor's approved System website), or (e) in any other manner not expressly authorized by Franchisor or otherwise in writing by Franchisor. Franchisee agrees to give such notices of trademark and service mark registrations as Franchisor specifies and to obtain such fictitious or assumed name registrations required under applicable law and approved by Franchisor. Franchisee agrees that this Agreement does not convey any right or property interest in the Principal Trademarks or Copyrighted Information licensed hereunder. Franchisee agrees to display the Principal Trademarks prominently as Franchisor prescribes at the Franchised Business location and on all forms, supplies, Advertising Materials, Social Media Materials, vehicles and other materials Franchisor designates.

## **12.3 Unauthorized Use of Principal Trademarks and Copyrighted Information**

(a) Franchisee shall immediately notify Franchisor in writing of any apparent infringement or challenge to Franchisee's use of the Principal Trademarks or Copyrighted Information and of any claim by any person of any right in the Principal Trademarks or any similar trade name, trademark, or service mark or Copyrighted Information of which

Franchisee becomes aware. Franchisee shall not directly or indirectly communicate with any person other than Franchisor, its Affiliates, and their counsel, in connection with any such infringement, challenge, or claim. Franchisor and its Affiliates shall have the right to take such action as they deem appropriate (including no action) and the right to control exclusively any litigation, United States Patent and Trademark Office proceeding, or other administrative proceeding arising out of such infringement, challenge, or claim or otherwise relating to the Principal Trademarks or Copyrighted Information. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of Franchisor and its Affiliates and their counsel, be necessary or advisable to protect and maintain the interests of Franchisor and its Affiliates in any such litigation, United States Patent and Trademark Office proceeding, or other administrative proceeding or otherwise to protect and maintain the interests of Franchisor and its Affiliates in the Principal Trademarks and Copyrighted Information, but shall take no action nor incur any expenses on behalf of Franchisor or its Affiliates without Franchisor's prior written consent.

(b) In the event that any third party makes a claim against Franchisee alleging that Franchisee's use of the Principal Trademarks or Copyrighted Information infringes upon the rights of such third party, Franchisor and/or its Affiliate(s) agree to defend such claim and indemnify and hold Franchisee harmless therefrom, provided Franchisee has used the Principal Trademarks and Copyrighted Information only as expressly authorized in this Agreement, the Confidential Operating Manual, or otherwise in writing by Franchisor, and provided further that Franchisee shall have the duty to cooperate with Franchisor and/or its Affiliate(s) in the defense of such claim as set forth in this subsection and in any other manner reasonably requested by Franchisor. The obligation of Franchisor and/or its Affiliate(s) to defend and indemnify with respect to such claim shall not extend to other claims made by the same third party against Franchisor, its Affiliate(s) and/or Franchisee arising from matters for which Franchisee is responsible under applicable law or this Agreement; as to such other claims, if any, Franchisee agrees to defend the same and indemnify and hold Franchisor and its Affiliate(s) harmless therefrom.

(c) In addition to the other restrictions set forth herein regarding the use of the Principal Trademarks and Copyrighted Information:

- (i) Franchisee shall use only approved signage as designated by Franchisor;
- (ii) Franchisee's use of the Principal Trademarks, Copyrighted Information and other proprietary material is limited to use in conjunction with the Franchised Business;
- (iii) Franchisee shall use the Principal Trademarks and Copyrighted Information as designated by Franchisor;
- (iv) Franchisee shall display notice of independent ownership of the franchise in signage and on all forms and marketing material as designated by Franchisor;

(v) Franchisee shall acknowledge that any of its customers is a customer of the Blue-Grace® Logistics System and upon request transmit to Franchisor any records maintained by Franchisee on such clients. Franchisee shall abide by the privacy right as established by Franchisor from time-to-time;

(vi) Franchisee shall use only the e-mail address provided by Franchisor in operating the Franchised Business. To the extent the e-mail address contains the name “Blue-Grace® Logistics” or any other proprietary designation, Franchisee will only be able to use it as specified by Franchisor and Franchisee will immediately cease use of it when Franchisor so requires; and

(vii) Franchisee acknowledges and agrees that Franchisee’s rights to use the Principal Trademarks and Copyrighted Information granted herein shall cease to exist upon the termination or expiration of this Agreement.

#### **12.4 Franchisor’s Right to Modify**

(a) If it becomes advisable at any time in Franchisor’s sole discretion for Franchisor and/or Franchisee to modify or discontinue use of the Principal Trademarks, and/or use one or more additional or substitute trade names, trademarks, service marks, or other commercial symbols or Copyrighted Information, Franchisee agrees to comply with Franchisor’s directions within a reasonable time after notice to Franchisee by Franchisor. Franchisor need not reimburse Franchisee for its direct expenses of changing the signs of the Franchised Business, for any loss of revenue due to any modified or discontinued Principal Trademarks or Copyrighted Information, or for Franchisee’s expenses of promoting a modified or substitute trademark or service mark.

(b) Franchisor’s rights in this Section 12.4 apply to any and all of the Principal Trademarks (and any portion of any Principal Trademark) and Copyrighted Information that Franchisor authorizes Franchisee to use in this Agreement. Franchisor may exercise these rights at any time and for any reason, business or otherwise, in Franchisor’s sole discretion. Franchisee acknowledges both Franchisor’s right to take this action and Franchisee’s obligation to comply with Franchisor’s directions.

#### **12.5 Reservation of Rights**

Franchisee acknowledges and agrees that the license granted to Franchisee to use the Principal Trademarks and Copyrighted Information is non-exclusive and Franchisor and its Affiliates reserve any right not specifically granted to Franchisee under this Agreement, including, but not limited to, the right to:

(a) grant other licenses for use of the Principal Trademarks and Copyrighted Information;

(b) develop and establish other systems using the Principal Trademarks or other

names or marks and to grant licenses thereto without providing any rights to Franchisee; and

(c) engage directly or indirectly through its employees, representatives, licensees, assigns, agents and others at wholesale, retail or otherwise, in:

(i) the production, distribution, license and sale of products and services; and

(ii) the use in connection with such production, distribution and sale of the Principal Trademarks and Copyrighted Information (and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or used from time-to-time by Franchisor).

### **XIII. RELATIONSHIP OF THE PARTIES**

#### **13.1 Independent Contractors**

Franchisee and Franchisor understand and agree that this Agreement does not create a fiduciary relationship between the parties, that Franchisee and Franchisor are and will be independent contractors, and that nothing in this Agreement is intended to make either party a special agent, joint venture partner, partner or employee of the other for any purpose. No employee of Franchisee will be considered employees of Franchisor. Franchisor will not have the power to hire or fire Franchisee's personnel. Franchisee agrees to identify itself conspicuously in all dealings with customers, suppliers, vendors, contractors, public officials, Franchised Business personnel and others as the owner of the Franchised Business under a franchise that Franchisor has granted and to place notices of independent ownership on all forms, Advertising Materials, Social Media Materials and other materials that Franchisor requires from time to time.

#### **13.2 No Liability for Acts of Other Party**

Franchisee and Franchisor 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 their relationship is other than franchisor and franchise owner. Franchisor will not be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Business.

#### **13.3 Taxes**

Franchisor will have no liability for any sales, use, service, occupation, excise, gross receipts, income property or other taxes, whether levied upon Franchisee or the Franchised Business, due to the business Franchisee conducts (except for Franchisor's income taxes). Franchisee is responsible for paying these taxes and must reimburse Franchisor for any taxes that Franchisor must pay to any state taxing authority on account of Franchisee's operation or payments that Franchisee makes to Franchisor.



## **XIV. DEFAULT AND TERMINATION**

### **14.1 Termination by Franchisee**

Franchisee may terminate this Agreement only upon the Franchisor's written consent. Even in that event, Franchisee shall remain obligated to comply with all post-termination covenants and outstanding obligations, which may include, but are not limited to, the payment of liquidated damages to Franchisor as provided herein.

### **14.2 Termination by Franchisor with Cause**

Franchisor may terminate this Agreement if Franchisee defaults under the Agreement as provided herein or is in default under any other agreement with Franchisor, its Affiliate(s), any Supplier or third parties to whom Franchisee is obligated to pay related to the Franchised Business. Franchisor's election to terminate this Agreement with Franchisee in no way constitutes a waiver of Franchisor's rights hereunder or any other right available at law or in equity, including its rights to damages. Termination of this Agreement encompasses termination of any and all rights granted onto Franchisee by Franchisor hereunder.

### **14.3 Automatic Termination without Notice**

Franchisee will be in default under this Agreement and all rights granted by this Agreement to Franchisee will automatically terminate without notice to Franchisee upon the date that Franchisee or any of its Owners (i) becomes insolvent or makes an assignment for the benefit of creditors or admits in writing its insolvency or inability to pay its debts generally as they become due; (ii) files a voluntary petition in bankruptcy or an involuntary petition in bankruptcy is filed against any of them; (iii) if a receiver, trustee or liquidator is appointed; or (iv) if Franchisee's assets, including Operating Assets or the Franchised Business location 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.

### **14.4 Termination by Franchisor upon Notice**

Franchisor may terminate this Agreement by written notice to Franchisee, without giving Franchisee an opportunity to cure the default, effective immediately upon delivery of written notice of termination to Franchisee, if:

(a) Franchisee (or any of its Owners) has made or makes any material misrepresentation or omission in acquiring the franchise or operating the Franchised Business;

(b) Franchisee underreports Gross Revenues, Freight Gross Revenues, Freight Gross Margin, Specialized Freight Gross Revenues, Specialized Freight Gross Margin or Parcel Revenues by five percent (5%) or more in any report or statement or Franchisee underreports Gross Revenues or any of the foregoing by two percent (2%) or more in any three (3) reports or statements during any thirty-six (36) month period;

(c) Franchisee engages in any business activity not approved by Franchisor, including the sale of goods or services not approved by Franchisor or fails to obtain the written approval of Franchisor as required;

(d) Franchisee (or any of its Owners) (i) fails on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with a material obligation under this Agreement to which Franchisor was unaware, whether or not Franchisee corrects the failures after Franchisor's delivery of notice; or (ii) fails on two (2) or more separate occasions within any six (6) consecutive month period to comply with a material obligation under this Agreement to which Franchisor was unaware, whether or not Franchisor notifies Franchisee of the failures, and if Franchisor does notify Franchisee of the failures, whether or not Franchisee corrects the failures after Franchisor's delivery of notice;

(e) Franchisee (or any of its Owners) is or has been convicted by a trial court of, or pleads or has pleaded no contest to, a felony, a crime of moral turpitude or any other crime or offense relating to the operation of the Franchised Business;

(f) Franchisee (or any of its Owners) engages in any dishonest or unethical conduct which, in Franchisor's opinion, adversely affects the reputation of the Franchised Business or the goodwill associated with the Principal Trademarks;

(g) Franchisee violates any health, safety, or sanitation law, ordinance, or regulation, or operates the Franchised Business in an unsafe manner, and does not begin to cure the violation immediately, and correct the violation within seventy-two (72) hours after Franchisee receives notice from Franchisor or any other party;

(h) Franchisee (or any of its Owners) knowingly makes any unauthorized use or disclosure of any part of the Confidential Operating Manual or any other Confidential Information;

(i) Franchisee fails to pay when due any federal or state income, service, sales, or other taxes due on the operation of the Franchised Business, unless Franchisee is in good faith contesting its liability for these taxes;

(j) Franchisee (or any of its Owners) fails to pay any financial obligation owed to any lending institution that provided financing to Franchisee under an arrangement with Franchisor within thirty (30) days of when due;

(k) Franchisee (or any of its Owners) fails to comply with the Confidentiality, Non-Use and Non-Competition Agreement Attached as Exhibit 6 hereto;

(l) Franchisee fails to comply with any of the requirements pertaining to Franchisor's proprietary information or Principal Trademarks;

(m) Franchisee relocates or attempts to relocate the Franchised Business location without the prior written consent of Franchisor as required pursuant to Section 5.6 hereof; or

(n) Franchisor determines, in its sole discretion, that it is no longer able to make Suppliers available so that the Franchised Business can no longer operate effectively or at all.

#### **14.5 Termination After Notice and 10-Day Opportunity to Cure**

Franchisee will have ten (10) days or any greater number of days permitted by Franchisor or required by law, to cure any default for which Franchisor has given written notice of termination to Franchisee under this Section 14.5 and to provide Franchisor with evidence of the cure. If a default is not cured within that period, or any longer period permitted by Franchisor or required by law, this Agreement will terminate without the need for further notice to Franchisee, effective immediately on the expiration of the ten (10) day cure period or longer cure period permitted by Franchisor or required by law. Franchisor may give written notice of termination under this Section 14.5 if:

- (a) Franchisee fails to maintain the insurance required by Franchisor;
- (b) Franchisee fails to maintain any and all licenses and certificates required by law;
- (c) Franchisee fails to comply with laws as required by this Agreement;
- (d) Franchisee fails to pay Franchisor (or its Affiliate(s), any Supplier or any third party to whom Franchisee is obligated to pay related to the Franchised Business) any amounts due;
- (e) Franchisee fails to provide any reports and information when due;
- (f) Franchisee fails to commence operating the Franchised Business within one hundred twenty (120) days after the Effective Date, unless time is extended by Franchisor;
- (g) Franchisee abandons or fails actively and continuously to operate the Franchised Business. A failure to operate the Franchised Business for a period in excess of three (3) consecutive business days shall be deemed a default, whether or not as a result of the fault of Franchisee, except where closure is due to fire, riot, flood, acts of terrorism, or natural disaster and Franchisee notifies Franchisor within five (5) days after the particular occurrence to obtain Franchisor's written approval to remain closed for an agreed upon amount of time as is necessary under the circumstances before Franchisee will be required to re-open;
- (h) Franchisee (or Operating Principal ) and Franchisee's management and sales personnel do not complete initial training to the satisfaction of Franchisor, in its sole discretion;
- (i) Franchisee and/or its Operating Principal fails to transfer Franchisee's interest in this Agreement and the Franchised Business or the Operating Principal's ownership interest in Franchisee to a third party after Franchisee's and/or Operating Principal's death or disability as

provided in this Agreement;

(j) Franchisee (or any of its Owners) makes or attempts to make an unauthorized assignment or transfer of this Agreement, an ownership interest in Franchisee (or its Owner), or the Franchised Business;

(k) Except as provided above, Franchisee (or any of its Owners) fails to comply with any other provision of this Agreement, any System Standards or as specified in the Confidential Operating Manual or otherwise by Franchisor in writing;

(l) Franchisee defaults under any mortgage, deed of trust or lease with any third party covering the Franchised Business location; such party treats such act or omission as a default; and Franchisee fails to cure such default to the satisfaction of such third party within any applicable cure period granted to Franchisee by such third party; or

(m) Franchisee, its Owners or any guarantor(s) hereof default in any other agreement with Franchisor, its Affiliate(s), any Supplier or third-party and such default is not cured in accordance with the terms of such agreement.

#### **14.6 Franchisee's Obligations on Termination or Expiration**

Franchisee shall have the following obligations on termination or expiration of this Agreement unless as otherwise indicated:

(a) Franchisee shall pay to Franchisor, its Affiliate(s) and any Suppliers within fifteen (15) days after the effective date of termination or expiration of this Agreement, such Freight Royalty, Parcel Royalty, Brand Fund Contributions and other sums owed by Franchisee to Franchisor, its Affiliate(s), any Supplier or any third party to whom Franchisee is obligated to pay related to the Franchised Business which are then unpaid. Franchisee shall pay to any lender who had provided financing to Franchisee under an arrangement with Franchisor if applicable, all sums then unpaid. Upon termination for any default by Franchisee, Franchisee shall also pay all actual and consequential damages, costs and expenses including attorneys' fees incurred by Franchisor as a result of the default;

(b) Franchisee shall immediately cease to be a Blue-Grace® Logistics franchisee and shall immediately cease operating the Franchised Business. Franchisee may not directly or indirectly at any time or in any manner identify itself or any business as a current or former Blue-Grace® Logistics franchisee or as one of Franchisor's current or former franchisees or otherwise without the express written consent of Franchisor; use any Principal Trademark, any colorable imitation of a Principal Trademark, or other indicia of the Franchised Business in any manner or for any purpose; use in any advertising, marketing or promotion any methods, procedures or techniques associated with the System including any Advertising Materials and Social Media Materials; use for any purpose any trade name, trademark or service mark, or other commercial symbol that indicates or suggests a connection or association with Franchisor; use the Blue-Grace® Logistics technology resources; or use any proprietary information used in the

System;

(c) Franchisee agrees to take the action required to cancel all fictitious or assumed names or equivalent registrations relating to its use of any Principal Trademark within fifteen (15) days of termination or expiration;

(d) If Franchisor does not exercise its option to purchase the Franchised Business pursuant to Section 14.7, Franchisee must de-identify the Franchised Business by making all physical changes necessary, including, but not limited to removing any and all trade dress, décor, physical characteristics, color combination and signage indicative of the “Blue-Grace® Logistics” System. Franchisee agrees to return to Franchisor (at no charge or cost to Franchisor) within thirty (30) days all sign-faces, sign-cabinets, Advertising Materials, Social Media Materials, forms and other materials containing any Principal Trademark or otherwise identifying or relating to the Franchised Business that Franchisor requests and to allow Franchisor, without liability to Franchisor or third parties, to enter the Franchised Business location and to make any change Franchisor deems appropriate and to remove any of the aforementioned items from the Franchised Business location;

(e) Franchisee shall immediately cease using the Confidential Information and related information and/or items which bear the Principal Trademarks, all trade secrets and any Confidential Information and any copies, equipment and other property owned by Franchisor or its Affiliate(s). Franchisee shall transfer and/or return such materials, property and data in the form maintained by Franchisee to Franchisor (at no charge or cost to Franchisor) within thirty (30) days of termination or expiration of this Agreement. Franchisee shall retain no copy or record of any of the foregoing, provided however, Franchisee may retain its copy of this Agreement, any correspondence between the parties and any other document which Franchisee reasonably needs for compliance with any applicable provision of law;

(f) Franchisee and its Owners and employees shall comply with the Confidentiality, Non-Use and Non-Competition provisions of Exhibits 6 and 7, which survive termination or expiration of this Agreement and all covenants as set forth in Article IX of this Agreement, which shall also survive termination and expiration of this Agreement.

(g) Franchisee shall notify the telephone company, all telephone directory publishers, Internet and website listing services and directories, websites, URLs, domain name registers, email hosts and providers and any and all other web based platforms or programs or other media, including but not limited to all Social Media Platforms in which the Franchised Business is listed or Principal Trademarks displayed of the termination or expiration of its right to use any telephone, facsimile or other numbers, telephone directory listings, email addresses, domain names, website addresses, URLs, Internet and website directory listings, web based platform and program accounts, including but not limited to Social Media Platform accounts and other media in which the Franchised Business is listed or the Principal Trademarks is displayed;

(h) Franchisee shall allow Franchisor to utilize the Assignment of Telephone and Website Listings and Advertisements attached as Exhibit 8 hereto;

(i) Franchisee shall authorize and not interfere with the transfer of Franchisee's telephone, facsimile and other numbers, telephone directory listings, email addresses, domain names, website addresses, URLs, Internet and website directory listings, Social Media Platform accounts and other media in which the Franchised Business is listed or the Principal Trademarks displayed to Franchisor;

(j) Franchisor shall instruct the telephone company, all websites, URLs and any other advertising entities or websites to forward all calls made to Franchisee's telephone, facsimile or other numbers as well as Internet and website searches made for Franchisee's websites and URLs, to those telephone number(s) and website(s) and URL(s) that Franchisor specifies and Franchisee shall take all actions necessary to effectuate the forwarding of such calls and Internet and website searches to telephone number(s), website(s) and/or URL(s) Franchisor specifies;

(k) Franchisee shall provide Franchisor with a complete list of all employees, clients and customers of the Franchised Business, together with their respective telephone numbers and addresses and a complete list of any outstanding obligations Franchisee may have to any third parties;

(l) Franchisee agrees and acknowledges that in addition to any other rights and remedies to which Franchisor and its Affiliate(s) may be entitled to, Franchisor and its Affiliate(s) may enforce any rights and remedies of a secured party under the UCC as enacted in the state where the Franchised Business is located, pursuant to the security interest granted in Section 7.14 herein, including, but not limited to, the right to enter the Franchised Business location to remove and repossess any assets in which Franchisor and its Affiliate(s) have been granted a security interest, without notice to Franchisee. Franchisee hereby waives and releases Franchisor and its Affiliate(s) from any and all claims in connection therewith and arising therefrom. At the request of Franchisor or its Affiliate(s) following the event of a default, Franchisee shall assemble and make available to Franchisor and its Affiliate(s) all assets in which Franchisor and its Affiliate(s) have been granted a security interest, at a place to be designated by Franchisor or its Affiliate(s) which is reasonably convenient to both parties;

(m) Franchisee shall give to Franchisor, within thirty (30) days after the termination or expiration of this Agreement for any reason, evidence satisfactory to Franchisor of Franchisee's compliance with these obligations; and

(n) In the event Franchisee does not immediately cease operations of Blue-Grace® Logistics after termination of this Agreement, and assuming the parties do not enter into a successor agreement, the Franchisor shall not be deemed to have waived any rights by not enforcing the termination immediately or for any period of time after even if Franchisor continues to accept Royalties and other funds from Franchisee. Franchisor may take such actions as are necessary to cause Franchisee to cease operations and enforce the provisions of this Agreement at any time after. All restrictive covenants' time frames shall run from the date that Franchisee actually ceases operations.

#### **14.7 Right to Purchase Franchised Business**

Upon termination or expiration of this Agreement (except where Franchisee acquires a successor franchise) Franchisor shall have the right, but not the obligation, to acquire the assets of the Franchised Business, including but not limited to the Operating Assets, as Franchisor may determine at the book value of such assets with no value attributable to goodwill, which the parties hereby agree and acknowledge belongs solely to Franchisor. Franchisor may, in its sole discretion, deliver cash, notes payable monthly up to five (5) years, or some combination of each as payments for any assets of the Franchised Business. This right is subject to Franchisor's security interest in the assets of the Franchised Business and the Operating Assets, which may entitle Franchisor to foreclose on those assets rather than purchasing them.

#### **14.8 Notice Required By Law**

If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits Franchisor's rights of termination under this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be considered modified to conform to the minimum notice, cure periods or restrictions upon termination required by applicable laws and regulations. Franchisor will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

#### **14.9 Liquidated Damages - Lost Future Profits**

(a) The parties recognize the difficulty of ascertaining damages to Franchisor resulting from premature termination of this Agreement before its expiration. For this reason, Franchisor and Franchisee have provided for liquidated damages, representing Franchisor's and Franchisee's best estimate as to the damages arising from the circumstances in which they are provided and which are only damages for the future profits lost to Franchisor due to the termination of this Agreement before its expiration, and not a penalty or as damages for breaching this Agreement, or in lieu of any other payment or remedy.

(b) If, at any time, Franchisee terminates this Agreement without Franchisor's written consent or this Agreement is terminated by Franchisor for cause, then Franchisee agrees to pay Franchisor, within ten (10) days of termination, an amount equal to the actual number of months remaining in the term of this Agreement, times the monthly average amount of Freight Royalty, Parcel Royalty, Brand Fund Contributions and other fees owed by Franchisee under the relevant sections of this Agreement for the twelve (12) month period prior to termination (or the entire term prior to termination if less than twelve (12) months), reduced by a discount of eight percent (8%) to produce the present value of Franchisor's lost profits.

(c) Franchisee will be entitled to a credit against the sums calculated according to subsection (b) for all amounts paid to Franchisor in advance for that period.

(d) These damages are in addition to any monies due to Franchisor for past due payments or any other actual or consequential damages.

#### **XV. UNAVOIDABLE DELAY OR FAILURE TO PERFORM (FORCE MAJEURE)**

(a) Any delay in Franchisor's or Franchisee's performance of any duty under this Agreement, or any non-performance of such duty, that is not Franchisee's or Franchisor's fault (as applicable) or within Franchisee's or Franchisor's reasonable control including, but not limited to: fire; floods; natural disasters; Acts of God; war; riots or other civil disturbances; acts by public enemies; compliance with governmental acts, laws, rules or regulations which were not in effect and could not be reasonably anticipated as of the date of this Agreement; any delays or defaults in deliveries by common carriers and/or postal services and/or overnight couriers; computer network outages; late deliveries or non-deliveries of goods or non-furnishing of services by third party vendors; strikes or other labor disturbances; interference by civil or military authorities; and any other similar event beyond such party's control without its fault or negligence will not constitute a breach or cause a default under this Agreement, provided, however, that Franchisor or Franchisee (as applicable) will take all steps reasonably possible to mitigate damages caused by such failure or delay.

(b) Notwithstanding the foregoing, if any such failure or delay continues for more than one hundred and eighty (180) days, then Franchisor will have the right at any time after during the continuance of such failure or delay to terminate this Agreement upon thirty (30) days' advance written notice to Franchisee.

#### **XVI. WAIVER AND DELAY**

No waiver or delay in either party's enforcement of any term, covenant or condition of this Agreement which has been breached will be construed as a waiver by that party of any preceding or succeeding breach, or any other term, covenant or condition of this Agreement. Without limiting any of the foregoing, the acceptance of any payment specified to be paid by Franchisee under this Agreement will not be, nor be construed to be, a waiver of any breach of any term, covenant or condition of this Agreement.

#### **XVII. EXCLUSIVE REMEDY FOR FRANCHISOR'S WITHHOLDING OF CONSENT**

In no event may Franchisee make any claim for money damages based on any claim or assertion that Franchisor has unreasonably withheld or delayed any consent or approval to a proposed act by Franchisee under the terms of this Agreement. Franchisee waives any such claim for damages. Franchisee may not claim any such damages by way of set-off, counterclaim or defense. Franchisee's sole remedy for the claim will be an action or proceeding to enforce the Agreement provisions, for specific performance or for declaratory judgment.



## **XVIII. NOTICE OF FRANCHISOR'S ALLEGED BREACH AND RIGHT TO CURE AND PERIOD TO BRING CLAIM**

### **18.1 Notice**

Franchisee agrees to give Franchisor immediate written notice of any alleged breach or violation of this Agreement after Franchisee has constructive or actual knowledge of, believes, determines or is of the opinion that there has been an alleged breach of this Agreement by Franchisor, including any acts of misfeasance or nonfeasance. If Franchisee does not give written notice to Franchisor of any alleged breach of this Agreement within ninety (90) days from the date that Franchisee has knowledge of, believes, determines or is of the opinion that there has been an alleged breach by Franchisor, then Franchisor's alleged breach will be considered to be condoned, approved, waived and ratified by Franchisee and there will not be considered to be a breach of this Agreement by Franchisor. In that event, Franchisee will also be permanently barred from commencing any action against Franchisor for the alleged breach or violation or defending any claim brought by Franchisor or its Affiliate(s) based on Franchisor's alleged breach or violation. Futility will not constitute a defense to Franchisee's failure to give notice.

### **18.2 Right to Cure**

In addition to all other remedies granted pursuant to this Agreement, if Franchisee defaults in the performance of any of its obligations, or breaches any term or condition of this Agreement or any related agreement, then Franchisor may, at its election, immediately or at any time after, without waiving any claim for breach under this Agreement and without notice to Franchisee, cure the default on Franchisee's behalf. Franchisor's cost of curing the default and all related expenses will be due and payable by Franchisee on demand.

### **18.3 Periods in which to Make Claims**

(a) Any and all claims and actions arising out of or relating to this Agreement, the relationship between Franchisor and Franchisee or Franchisee's operation of the Franchised Business, brought by any party hereto against the other (or brought by Franchisee against any person and/or entity affiliated with Franchisor), must be commenced within one (1) year from the date when the Franchisee or Franchisor knew, or should have known in the exercise of reasonable diligence, of the facts giving rise to the claim or action.

(b) Notwithstanding the foregoing limitations, where any federal, state or local law provides for a shorter limitation period than above described, whether upon notice or otherwise, such shorter period will govern.

(c) The foregoing limitations may, where brought into effect by Franchisor's failure to commence an action within the time periods specified, operate to exclude Franchisor's right to sue for damages but will in no case, even upon expiration or lapse of the periods specified or referenced above, operate to prevent Franchisor from terminating Franchisee's rights and Franchisor's obligations under this Agreement as provided herein and under applicable law nor

prevent Franchisor from obtaining any appropriate court judgment, order or otherwise which enforces and/or is otherwise consistent with such termination.

(d) The foregoing limitations shall not apply to Franchisor's claims arising from or relating to: (i) Franchisee's under-payment or non-payment of any amounts owed to Franchisor or any Affiliate; (ii) indemnification by Franchisee; (iii) Franchisee's confidentiality, non-competition or other exclusive relationship obligations; and/or (iv) Franchisee's unauthorized use of the Principal Trademarks.

## **XIX. INJUNCTION**

Franchisee explicitly affirms and recognizes the unique value and secondary meaning attached to the Blue-Grace® Logistics System and the Principal Trademarks. Accordingly, Franchisee agrees that any non-compliance by Franchisee with the terms of this Agreement, or any unauthorized or improper use of the Blue-Grace® Logistics System or the Principal Trademarks by Franchisee, will cause irreparable damage to Franchisor and other Blue-Grace® Logistics franchisees. Franchisee therefore agrees that if it engages in this non-compliance, or unauthorized and/or improper use of the Blue-Grace® Logistics System or Principal Trademarks, during or after the period of this Agreement, Franchisor will be entitled to a declaration, temporary injunctive relief and permanent injunctive relief, without the need of a bond, against Franchisee from any court of competent jurisdiction, in addition to all other remedies which Franchisor may have at law. Franchisee consents to the entry of these temporary and permanent injunctions.

## **XX. INTEGRATION OF AGREEMENT**

### **20.1 Integration of Agreement**

(a) This Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements; provided, however, that nothing in this sentence is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document which was provided to Franchisee. Franchisee acknowledges that it is entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of its own independent investigation of the Franchised Business and not as a result of any representations about Franchisor made by Franchisor's shareholders, officers, directors, employees, agents, representatives, independent contractors or franchisees which are contrary to the terms set forth in this Agreement or of any offering circular, prospectus, disclosure document or other similar document required or permitted to be given to Franchisee pursuant to applicable law.

(b) The Confidential Operating Manual and the terms contained therein are incorporated by reference to this Agreement, form a part of this Agreement and are enforceable pursuant to the terms of this Agreement.

**20.2 No Oral Modification**

This Agreement may not be amended orally, but may be amended only by a written instrument signed by the parties. Franchisee expressly acknowledges that no oral promises or declarations were made to it and that Franchisor’s obligations are confined exclusively to the terms in this Agreement. Franchisee understands and assumes the business risks inherent in this enterprise.

**XXI. NOTICES**

**21.1 Notices**

(a) Any notice required or permitted to be given under this Agreement must be in writing; must be delivered to the other party personally, by certified mail (and return receipt requested, postage prepaid), or by documented overnight delivery with a reputable carrier, and will be effective on the date that delivery is documented to have been first attempted. Any notice to Franchisor will be addressed to Franchisor at:

Blue-Grace Franchise LLC  
Attention: General Counsel  
2846 S. Falkenburg Rd.  
Riverview, FL 33578

Franchisee

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(b) Either party to this Agreement may, in writing, on ten (10) days’ notice, inform the other of a new or changed address or addressees to which notices under this Agreement should be sent.

**XXII. MISCELLANEOUS**

**22.1 Execution, Construction and Interpretation**

(a) This Agreement may be executed in multiple counterparts, each of which will be considered an original and all of which together will constitute one and the same instrument. Facsimile or other electronic execution signatures will be considered as binding and conclusive as if original, provided, however, that any party so executing must use all commercially reasonable efforts to furnish to the other party(ies) the originally executed document at the earliest opportunity.

(b) The titles and subtitles of the various Articles and Sections of this Agreement are inserted for convenience and will not affect the meaning or construction of any of the terms, provisions, covenants and conditions of this Agreement. The terms used in this Agreement, regardless of the number and gender in which they are used, shall be construed to include the other number (singular or plural) and other genders (masculine, feminine or neuter) as the context or sense of this Agreement or any Articles, Sections or subsections may require. The language of this Agreement will in all cases be construed simply according to its fair and plain meaning and not strictly for or against Franchisor or Franchisee.

(c) It is agreed that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision will have the meaning which renders it valid.

(d) The parties agree to execute all other documents and perform all further acts necessary or desirable to carry out the purposes of this Agreement.

(e) Each reference in this Agreement to a corporation or partnership will also refer to a limited liability company, general or limited partnership, and any other entity or similar organization. Each reference to the organizational documents, shareholders, directors, officers and stock of a corporation in this Agreement will also refer to the functional equivalents of the organizational documents, shareholders, directors, officers and voting and/or equity rights, as applicable, in the case of a limited liability company, general partnership, limited partnership or any other entity or similar organization (this specifically includes members and managers, general and limited partners, membership interests and general and limited partnership interests).

## **22.2 Severability**

Nothing contained in this Agreement may be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provision of this Agreement and any present or future statute, law, ordinance or regulation required to be made applicable to this Agreement, the latter will prevail, but the affected provision of this Agreement will be curtailed and limited only to the extent necessary to bring it within the requirement of the law. If any Article, Section, subsection, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, then the entire Agreement will not fail for this reason, and the balance of the Agreement will continue in full force and effect. If any court of competent jurisdiction deems any provision of this Agreement (other than for the payment of money) so unreasonable as to be unenforceable as a matter of law, the court may declare a reasonable modification of this Agreement and this Agreement will be valid and enforceable, and the parties agree to be bound by and perform this Agreement as so modified.

## **22.3 Similar Agreements**

Franchisor makes no warranty or representation that anything contained in this Agreement may be construed as requiring all of Franchisor's franchise agreements heretofore or hereafter issued by Franchisor to contain terms substantially similar to those contained in this

Agreement. Further, Franchisee agrees and acknowledges that Franchisor may, in its reasonable business judgment, due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements heretofore or hereafter granted to other Blue-Grace® Logistics franchisees in a non-uniform manner, subject, however, to those provisions of this Agreement which require Franchisor to act toward its franchisees on a reasonably non-discriminatory basis.

### **XXIII. COSTS OF ENFORCEMENT; ATTORNEYS' FEES; GOVERNING LAW; JURISDICTION AND VENUE; CONSEQUENTIAL AND PUNITIVE DAMAGES; AND WAIVER OF JURY**

#### **23.1 Costs of Enforcement**

Franchisor will be entitled to recover from Franchisee attorneys' fees, experts' fees, court costs and all other expenses of litigation, if Franchisor prevails in any action instituted against Franchisee to secure or protect Franchisor's rights under this Agreement, or to enforce the terms of this Agreement, or any other agreement between Franchisor and Franchisee or in any action commenced or joined in by Franchisee against Franchisor.

#### **23.2 Attorneys' Fees**

If Franchisor becomes a party to any action or proceeding arising out of or relating to this Agreement or any and all related agreements, as a result of any claimed or actual act, error or omission of Franchisee (and/or any of Franchisee's officers, directors, shareholders, management, employees, contractors and/or representatives) or the Franchised Business; by virtue of statutory, "vicarious," "principal/agent" or other liabilities imposed on Franchisor as a result of Franchisor's status as Franchisor; or if Franchisor becomes a party to any litigation or any insolvency proceeding involving Franchisee pursuant to any bankruptcy or insolvency code (including any adversary proceedings in conjunction with bankruptcy or insolvency proceedings), then Franchisee will be liable to, and must promptly reimburse Franchisor for, the attorneys' fees, experts' fees, court costs, travel and lodging costs and all other expenses Franchisor incurs in such action or proceeding regardless of whether such action or proceeding proceeds to judgment. In addition, Franchisor will be entitled to add all costs of collection, interest, attorneys' fees and experts' fees to Franchisor's proof of claim in any insolvency or bankruptcy proceeding that Franchisee files.

#### **23.3 Governing Law**

This Agreement, all relations between the parties, and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, are to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of Florida without recourse to Florida (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of Florida, and if the Franchised Business location is located outside of Florida and the provision would be enforceable under the laws of the state in which the Franchised Business location is located, then

the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Section is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant," unfair competition, fiduciary or any other doctrine of law of the State of Florida or any other state, which would not otherwise apply.

#### **23.4 Jurisdiction and Venue**

(a) Franchisee and Franchisor hereby agree that any claim, controversy or dispute shall be resolved before a court of competent jurisdiction in Florida. A court of competent jurisdiction shall mean a court which is either the state court in Florida for Hillsborough County or the United States District Court for the Middle District in Florida (Tampa Division). Franchisor and Franchisee hereby irrevocably submit themselves to the jurisdiction and venue of those courts. Franchisee hereby waives and covenants never to assert or claim that this venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

(b) Notwithstanding (a) above, if Franchisor determines that another court of competent jurisdiction, wherever situated, is appropriate, Franchisor may bring an action in such court to: (1) protect the Principal Trademarks, any intellectual property and Confidential Information; (2) determine the validity of termination of this Agreement and/or any other related agreement; (3) enforce the termination of this Agreement and/or any other related agreement; (4) enforce the Confidentiality, Non-Use and Non-Competition Agreement; (5) collect monies owed; and (6) enjoin or restrain Franchisee from otherwise causing immediate and irreparable harm to Franchisor. Franchisor and Franchisee hereby irrevocably submit themselves to the jurisdiction and venue of such court as Franchisor may select. Franchisee hereby waives and covenants never to assert or claim that this venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

(c) Franchisee explicitly affirms and recognizes the unique value and secondary meaning attached to the System, the Principal Trademarks, any intellectual property and the Confidential Information. Accordingly, Franchisee agrees that any non-compliance by Franchisee with the terms of this Agreement and/or the terms of any Confidentiality, Non-Use and Non-Competition Agreement, Franchisee's operation of the franchise post-termination or any unauthorized or improper use of the System, the Principal Trademarks, any intellectual property, or Confidential Information by the Franchisee, will cause irreparable damage to the Franchisor and its Affiliates and other franchisees. Franchisee therefore agrees that if it engages in this non-compliance, post-termination operation of the franchise or unauthorized and/or improper use of the System, Principal Trademarks, any intellectual property or Confidential Information during or after the period of this Agreement, Franchisor will be entitled to a declaration, temporary injunctive relief and permanent injunctive relief, without the need of a bond, against Franchisee from any court of competent jurisdiction, wherever situated, as Franchisor may select, in addition to all other remedies which Franchisor may have at law.

(d) Franchisor and Franchisee acknowledge that the parties' agreement relating to the forum set forth herein provide each of the parties with the mutual benefit of uniform interpretation of: (i) this Agreement; (ii) any dispute arising out of this Agreement; (iii) the parties' relationship created by this Agreement; and (iv) any and all disputes between the parties, whether sounding in contract, tort, or otherwise. Franchisor and Franchisee further acknowledge the receipt and sufficiency of mutual consideration for such benefit.

(e) Franchisor and Franchisee hereby agree and acknowledge that this Section 23.4 shall bind Franchisee's guarantors, whether or not such guarantors were named parties to the arbitration and/or litigation.

### **23.5 Consequential or Punitive Damages and Limitation of Liability**

(a) IN NO EVENT WILL FRANCHISOR BE LIABLE TO FRANCHISEE FOR CONSEQUENTIAL OR PUNITIVE DAMAGES IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT; ANY BREACH, TERMINATION, CANCELLATION OR NON-RENEWAL OF THIS AGREEMENT; OR, IN ANY OTHER ACTION OR PROCEEDING WHATSOEVER BETWEEN THE PARTIES TO THIS AGREEMENT AND/OR ANY OF THEIR AFFILIATES. FRANCHISEE HEREBY WAIVES AND COVENANTS NEVER TO ADVANCE ANY SUCH CLAIM FOR CONSEQUENTIAL OR PUNITIVE DAMAGES.

(b) Notwithstanding anything to the contrary, Franchisee understands and agrees that Franchisor shall have no liability to Franchisee or any other party for any loss or damage (whether direct, indirect or consequential) which may arise from the provision of services by Franchisee pursuant to this Agreement.

### **23.6 Waiver of Trial by Jury**

TO THE EXTENT THAT EACH MAY LAWFULLY DO SO, FRANCHISEE AND FRANCHISOR BOTH WAIVE THEIR RIGHT TO A TRIAL BY JURY IN ANY ACTION THAT MAY BE BROUGHT WITH RESPECT TO THIS AGREEMENT OR ANY OTHER AGREEMENT EXECUTED IN CONNECTION HEREWITH.

## **XXIV. GUARANTEE**

(a) Personal guarantees shall be required, if Franchisee is a partnership, corporation or a limited liability company, from all Owners. Such personal guarantees must be executed on Franchisor's standard form Guarantee (Exhibit 9) concurrently with the execution of this Agreement.

(b) If Franchisee is in breach or default under this Agreement, Franchisor may proceed directly against each such individual and/or entity without first proceeding against Franchisee and without proceeding against or naming in the suit any other such individuals and/or entities. Franchisee's obligations and those of each such individual and/or entity will be joint and several. Notice to or demand upon one such individual and/or entity will be considered notice to or demand upon Franchisee and all such individuals and/or entities, and no notice or demand need be made to or upon all such individuals and/or entities. The cessation of or release from liability of Franchisee or any such individuals and/or entity will not relieve any other individual and/or entity from liability under the Agreement, except to the extent that the breach or default has been remedied or money owed has been paid.

## **XXV. SURVIVAL**

Any provision of this Agreement which imposes an obligation following the termination or expiration of this Agreement will survive such termination or expiration and will continue to be binding upon the parties to this Agreement. This Agreement will be binding upon and inure to the benefit of the parties, their heirs, successors and assigns.

## **XXVI. FRANCHISEE'S REPRESENTATIONS AND ACKNOWLEDGMENTS**

### **26.1 Franchisee's Representations**

Franchisee represents and warrants to Franchisor, with the intention that Franchisor is relying thereon in entering into this Agreement, that:

(a) If Franchisee is a corporation, limited liability company, general partnership, partnership, or limited partnership, then Franchisee is organized under the laws of the state of its principal place of business (or another state which Franchisee has identified to Franchisor) and is in good standing with and qualified to do business in each state and political/governmental subdivision having jurisdiction over the Franchised Business.

(b) If Franchisee is a corporation, limited liability company, general partnership, partnership, or limited partnership, then Franchisee has all corporate power and authority to execute, deliver, consummate and perform this Agreement, and it will be binding upon Franchisee and its successors and assigns when executed.

(c) Franchisee does not have any material liabilities, adverse claims, commitments or obligations of any nature as of the date of execution of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise which are not reflected as liabilities on the balance sheets of Franchisee's current financial statements, which Franchisee has furnished to Franchisor before the execution of this Agreement.

(d) As of the date of execution of this Agreement, there are no actions, suits, proceedings or investigations pending or, to Franchisee's knowledge or the knowledge any of its officers, directors, shareholders, proprietors, partners or Owners (as applicable) after due inquiry,



threatened, in any court or arbitral forum, or before any governmental agency or instrumentality, nor to the best of Franchisee's knowledge or the knowledge of any such persons or entities (after due inquiry) is there any basis for any claim, action, suit, proceeding or investigation which affects or could affect, directly or indirectly, any of Franchisee's assets, properties, rights or business; Franchisee's right to operate and use its assets, properties or rights to carry on its business; and/or which affects or could affect Franchisee's right to assume and carry out in all respects the duties, obligations and responsibilities specified in this Agreement.

(e) Neither Franchisee nor any of its Owners are a party to any contract, agreement, covenant not to compete or other restriction of any type which may conflict with, or be breached by, the execution, delivery, consummation and/or performance of this Agreement.

(f) All of Franchisee's representations and warranties contained in this Agreement are complete, correct and accurate as of the date of execution of this Agreement and will survive any termination or expiration of this Agreement.

## **26.2 Franchisee's Acknowledgments**

Franchisee acknowledges, warrants and represents to Franchisor that:

(a) No representation has been made by Franchisor (or any of Franchisor's employees, agents or salespersons) and relied on by Franchisee as to the future or past income, expenses, sales volume or potential profitability, earnings or income, including, but not limited to Gross Revenues, Freight Gross Margin or Specialized Freight Gross Margin of the Franchised Business, or any other Blue-Grace® Logistics enterprise.

\_\_\_\_\_  
Initials

(b) No representation or statement has been made by Franchisor (or any of Franchisor's employees, agents or salespersons) and relied on by Franchisee regarding Franchisee's anticipated income, earnings and growth or that of the Blue-Grace® Logistics System, or the viability of the business opportunity being offered under this Agreement.

\_\_\_\_\_  
Initials

(c) Before executing this Agreement, Franchisee has had the opportunity to contact any and all of Franchisor's existing franchisees.

\_\_\_\_\_  
Initials

(d) Franchisee has had the opportunity to independently investigate, analyze and construe both the business opportunity being offered under this Agreement, and the terms and provisions of this Agreement, using the services of legal counsel, accountants or other advisors (if Franchisee so elects) of its choosing. Franchisee has been advised to consult with Franchisee's advisors with respect to the legal, financial and other aspects of this Agreement, the

Franchised Business, and the prospects for that Franchised Business. Franchisee has either consulted with these advisors or has deliberately declined to do so.

\_\_\_\_\_  
Initials

(e) Franchisee has received from Franchisor a copy of Franchisor's Franchise Disclosure Document, together with a copy of all proposed agreements relating to the sale of the franchise, at least by the earlier of the first personal meeting between Franchisor or its agent and Franchisee to discuss this franchise, at least ten (10) business days before the execution of this Agreement or at least ten (10) business days before the payment by the Franchisee to the Franchisor of any consideration in connection with the sale or proposed sale of the franchise granted by this Agreement.

\_\_\_\_\_  
Initials

(f) Franchisee has received from Franchisor a copy of Franchisor's Franchise Disclosure Document, together with a copy of all proposed agreements relating to the sale of the franchise, at least, fourteen (14) calendar days before the execution of this Agreement and at least fourteen (14) calendar days before the payment by Franchisee to Franchisor of any consideration in connection with the sale or proposed sale of the franchise granted by this Agreement.

\_\_\_\_\_  
Initials

(g) No representation or statement has been made by Franchisor (or any of Franchisor's employees, agents or salespersons) and relied on by Franchisee regarding Franchisee's ability to procure any required license or permit that may be necessary to the offering of one or more of the services contemplated to be offered by the Franchised Business.

\_\_\_\_\_  
Initials

(h) Franchisee affirms that all information set forth in all applications, financial statements and submissions to Franchisor are true, complete and accurate in all respects and Franchisee expressly acknowledges that Franchisor is relying on the truthfulness, completeness and accuracy of this information.

\_\_\_\_\_  
Initials

(i) Attached hereto as Exhibit 10 is a Franchisee Compliance Certificate. Franchisee has received and answered the questions thereon, relating to representations that have or have not been made to Franchisee. Franchisee has initialed and executed the Certificate voluntarily and attached it hereto.

\_\_\_\_\_  
Initials

(j) Franchisee understands and agrees that Franchisor may operate and change the System and Franchisor's business in any manner that is not expressly prohibited by this Agreement. Whenever Franchisor has the right within this Agreement to take or withhold action or to grant or decline to Franchisee the right to take or withhold action, Franchisor may make such a decision on the basis of Franchisor's best interests and those of the Blue-Grace® Logistics System, without regard to whether other reasonable alternative decisions exist or whether Franchisor's decision adversely affects Franchisee. Absent applicable statute, Franchisor shall have no liability for such a decision and Franchisee agrees that Franchisor's decision will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, then Franchisee agrees that such a covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants to Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

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Initials

(k) Franchisee understands and agrees that Franchisor has no obligation to provide any Suppliers and Franchisee agrees that Franchisor's ability or inability to do so does not make it liable or responsible in any way for the Franchisee's success or failure as a Blue-Grace® Logistics Franchised Business. Franchisee understands that the unavailability of Suppliers could potentially render the Franchised Business severely impaired.

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Initials

## **XXVII. SUBMISSION OF AGREEMENT**

The submission of this Agreement to Franchisee does not constitute an offer. This Agreement will become effective only upon the execution of this Agreement by both Franchisor and Franchisee.

THIS AGREEMENT WILL NOT BE BINDING ON FRANCHISOR UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF FRANCHISOR. FRANCHISEE ACKNOWLEDGES THAT NO REPRESENTATIONS OR PROMISES WERE MADE TO FRANCHISEE OTHER THAN THOSE SET FORTH IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT, OR THAT IF ANY OTHER REPRESENTATIONS OR PROMISES WERE MADE TO FRANCHISEE, FRANCHISEE IS NOT RELYING ON THEM. FRANCHISEE HAS READ ALL OF THE FOREGOING AGREEMENT AND ACCEPTS AND AGREES TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS OF THE FOREGOING AGREEMENT.

FRANCHISEE:

If a corporation or other entity:

\_\_\_\_\_  
(Name of Corporation or Other Entity)

By: \_\_\_\_\_  
(Signature)

Its: \_\_\_\_\_  
(Print Title/Print Name)

If an individual:

\_\_\_\_\_  
(Signature) (Date)

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

\_\_\_\_\_  
(Signature) (Date)

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

FRANCHISOR:

Blue-Grace Franchising LLC

By: \_\_\_\_\_  
(Signature) (Date)

Its: \_\_\_\_\_  
(Print Title/Print Name)

**FRANCHISE AGREEMENT  
EXHIBIT 1**

**PRINCIPAL TRADEMARKS**

**Principal Trademarks:**

- Blue Grace Logistics word mark plus design  
Registration No. 3,748,784  
Registered February 16, 2010  
US Patent and Trademark Office
  
- BG word mark plus design  
Registration No. 3,798,456  
Registered June 8, 2010  
US Patent and Trademark Office
  
- BLUEGRACE word mark  
Registration No. 3,997,591  
Registered July 19, 2011  
US Patent and Trademark Office

The principal trademarks are owned by Blue-Grace I.P. LLC

There are no existing or pending material determinations of the US Patent and Trademark Office, Trademark Trial and Appeal Board, the Trademark Administrator of Florida or any court, no pending infringement, opposition or cancellation actions, nor any other pending material litigation involving the Principal Trademarks.

**FRANCHISE AGREEMENT  
EXHIBIT 2**

**GENERAL RELEASE**

To all to whom these Presents shall come or may Concern, Know That \_\_\_\_\_ [a corporation organized under the laws of the State of \_\_\_\_\_] [an individual domiciled in the State of \_\_\_\_\_] (“Franchisee”) and its Owners (as defined in the Franchise Agreement) collectively as RELEASOR, in consideration of the consent of BLUE-GRACE FRANCHISE LLC to the Assignment or Renewal of the Franchise Agreement between Franchisee and BLUE-GRACE FRANCHISE LLC (the "Franchise Agreement") and for other good and valuable consideration, RELEASOR hereby releases and discharges BLUE-GRACE FRANCHISE LLC as RELEASEE, RELEASEE'S corporate parents, subsidiaries and Affiliates and the respective officers, directors, shareholders, members, partners, agents, attorneys, contractors and employees of each of the foregoing entities (in their corporate and individual capacities), and RELEASEE'S heirs, executors, administrators, successors and assigns (the “Released Parties”), from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law, admiralty or equity, which against the Released Parties, the RELEASOR, RELEASOR'S heirs, executors, administrators, successors and assigns ever had, now have or hereafter can, shall or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this RELEASE, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

Whenever the text hereof requires, the use of singular number shall include the appropriate plural number as the text of the within instrument may require.

This RELEASE may not be changed orally.

**IN WITNESS WHEREOF**, the RELEASOR (if an individual) *has executed this RELEASE*, and if a corporation) *has caused this RELEASE to be executed by a duly authorized officer and its corporate seal to be hereunto affixed on*

\_\_\_\_\_, \_\_\_\_\_.

RELEASOR

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

[SEAL]

**ACKNOWLEDGMENT FOR CORPORATE RELEASOR**

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

ss.:

On \_\_\_\_\_ before me \_\_\_\_\_ personally came \_\_\_\_\_, to me known, who, by me duly sworn, did depose and day that deponent resides at \_\_\_\_\_, that deponent is the \_\_\_\_\_ of \_\_\_\_\_, the corporation' described in the foregoing RELEASE, and which executed said RELEASE, that deponent knows the seal of the corporation, that the seal affixed to the RELEASE is the corporate seal, that it was affixed by order of the board of directors of the corporation; and that deponent signed deponent's name by like order.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Notary Public

\_\_\_\_\_

My Commission expires: \_\_\_\_\_ (NOTARY SEAL)

**ACKNOWLEDGMENT FOR INDIVIDUAL RELEASOR**

STATE OF \_\_\_\_\_

ss.:

COUNTY OF \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_, before me \_\_\_\_\_ (Name of Notary) the undersigned officer, personally appeared \_\_\_\_\_, to me personally known, and known to me to be the same person whose name is signed to the foregoing RELEASE, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Notary Public

\_\_\_\_\_

My Commission expires: \_\_\_\_\_

(NOTARIAL SEAL)



**FRANCHISE AGREEMENT  
EXHIBIT 3**

**ELECTRONIC FUNDS AUTHORIZATION**

- a) As of the effective date of the Franchise Agreement (the “Agreement”) and throughout the term of the Agreement, Franchisee agrees to establish and maintain a segregated bank account at a bank or other financial institution which Franchisor approves (the “Bank Account”). Franchisee may, in Franchisor’s discretion, be required to establish and maintain an electronic funds transfer account (“EFT Account”) and Franchisor or any of its Affiliates (as defined in the Agreement) may withdraw funds from the EFT Account in the amount of the Freight Royalty, Specialized Freight Services Royalty, Parcel Royalty, Auditing Royalty, Brand Fund Contribution and any other amounts due to Franchisor or any Affiliates. Withdrawals may be made on the first business day the Freight Royalty, Specialized Freight Services Royalty, Parcel Royalty, Auditing Royalty, Brand Fund Contributions or any other amounts become due or on any succeeding day thereafter and the amount of the withdrawal will be based on Gross Margins and/or Gross Revenues as indicated in the Agreement. The Bank Account must be established and maintained solely for the purposes set forth in the Agreement and the Confidential Operating Manual.
- b) All Gross Revenues and Gross Margins, as defined in the Agreement, shall be deposited into the Bank Account. Check stubs, bank statements and other records must be available for review in the event of an audit. Franchisee may use the Blue-Grace Logistics<sup>®</sup> logo on trust or bank account checks, but only as part of the trade name and a statement that the Franchised Business is an “independently owned and operated Blue-Grace Logistics<sup>®</sup> business” must appear on the face of all such checks.
- c) If Franchisor so requires, Franchisee agrees to instruct the institution holding the Bank Account to allow Franchisor and/or its Affiliates access to the Bank Account for collection of Freight Royalties, Specialized Freight Services Royalties, Parcel Royalties, Auditing Royalties and all other fees and payments provided for in this Agreement, as well as access to any and all records Franchisor deems necessary to review. The Bank Account must have the capacity to make payments and receive credits through electronic debiting. Franchisee hereby grants to Franchisor and/or its Affiliates the right upon Franchisor’s election to debit the Bank Account (electronically or otherwise) for Freight Royalties, Specialized Freight Services Royalties, Parcel Royalties, Auditing Royalties, Brand Fund Contributions or any other amounts due and any and all amounts Franchisee owes Franchisor or its Affiliates and Franchisee agrees to execute whatever documents the institution holding the Bank Account and Franchisor’s financial institutions may require for this purpose. Under no circumstances will Franchisor’s access to the Bank Account be deemed Franchisor’s control or the joint control of the Bank Account. Franchisee shall execute and/or provide any documents or information necessary to fulfill these requirements.

- d) Franchisee agrees to continuously maintain a minimum balance in the Bank Account adequate to cover the Franchisee's obligations under the Agreement or some higher continuous minimum balance as Franchisor deems reasonably necessary. Franchisee agrees to reimburse Franchisor and/or its Affiliates for all costs Franchisor and/or its Affiliates incur in collecting or attempting to collect funds due to Franchisor and/or its Affiliates from the Bank Account (for example and without limitation, charges for insufficient funds, uncollected funds or other discrepancies in deposits or maintenance of the Bank Account balance as required by the terms of the Agreement).
- e) Franchisor will notify Franchisee of the date and amount of each debit Franchisor and/or its Affiliates make from Franchisee's Bank Account at the time and in the manner specified in the Confidential Operating Manual.
- f) The Bank Account must be established so that Franchisor can audit it at any time upon notice to Franchisee. If an electronic funds transfer system enabling Franchisor and/or its Affiliates to electronically debit Franchisee's Bank Account is not functioning at any time for any reason, Franchisee agrees to ensure that Franchisor and/or its Affiliates otherwise receive payment for any and all amounts due Franchisor and/or its Affiliates and by the date due, in the form of a check, money order or any other form acceptable to Franchisor.
- g) Upon the termination or expiration of the Agreement, Franchisee agrees to keep the Bank Account open and Franchisor and/or its Affiliates shall continue to be able to debit the Bank Account until Franchisee has satisfied all financial obligations to Franchisor and its Affiliates.

Franchisee: \_\_\_\_\_

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

Its: \_\_\_\_\_

Blue-Grace Franchise LLC

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

Its: \_\_\_\_\_



# AUTHORIZATION FOR DIRECT PAYMENT/AUTOMATIC BILL PAYMENT

I authorize Blue-Grace Franchise, LLC to initiate variable entries to my account described below:

## CUSTOMER INFORMATION

CUSTOMER NUMBER

COMPANY NAME

STREET ADDRESS (NO P.O. BOXES PLEASE)

CITY

STATE ZIP CODE

PHONE NUMBER

AUTHORIZING PERSON (PLEASE PRINT)

SIGNATURE OF AUTHORIZING PERSON

DATE

## FINANCIAL INFORMATION

ACCOUNT NUMBER

- CHECKING
- SAVINGS

FINANCIAL INSTITUTION NAME

STREET ADDRESS (NO P.O. BOXES PLEASE)

CITY

STATE ZIP CODE

ROUTING NUMBER

THIS AUTHORIZATION IS FOR THE FOLLOWING:

- INVOICES/DEBIT IS TAKEN 26 DAYS FROM INVOICE DATES
- MANAGEMENT FEE/DEBIT IS TAKEN 26 DAYS FROM INVOICE DATES

TO CANCEL, SEND WRITTEN REQUEST TO: BLUE-GRACE FRANCHISE, LLC  
 2846 S. FALKENBURG RD.  
 RIVERVIEW, FL 33578  
 800-697-4477 phone  
 813-626-7443 fax

This authorization will remain in full force and effect until Blue-Grace Franchise, LLC receives written notification from me of its termination in such time and manner to act on it.

I agree to indemnify Blue-Grace Franchise, LLC harmless of all costs, including attorney's fees (to the extent permitted by law), damage or claims relating to nonpayment of the item, or in failing to cancel or process an item as a result of incorrect information provided by me.

By signing below, I certify that the information I have provided on this ACH Authorization for Direct Payment/Automatic Bill Payment is complete, true, and submitted for the purpose selected above.

TO CANCEL THIS AUTHORIZATION YOU MUST NOTIFY BLUE-GRACE FRANCHISE, LLC IN WRITING.

ATTACH VOIDED CHECK HERE

**FRANCHISE AGREEMENT  
EXHIBIT 4**

**BLUE-GRACE SYSTEMS LLC  
SERVICE AGREEMENT**

**THIS SERVICE AGREEMENT** (hereinafter this "Agreement") dated this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between \_\_\_\_\_ with an address of \_\_\_\_\_ (hereinafter the "Customer") and Blue-Grace Systems LLC with an address of 2846 S. Falkenburg Rd., Riverview, FL 33578 (hereinafter the "Service Provider"):

**RECITALS**

A. Customer has this date entered into a franchise agreement with Blue-Grace Franchise LLC (the "Franchise Agreement") pursuant to which Customer has been authorized to offer, sell and perform, among other things, freight transportation and shipping services, including, but not limited to, less-than-truckload shipments ("Freight Services"), full truckload shipments, expedited shipments, air and ocean shipments, and freight shipments that cannot be transported or shipped through standard less-than-truckload means or cannot or will not be serviced by less-than-truckload carriers at customary rates ("Specialized Freight Services") under the Blue-Grace Principal Trademarks.

B. These Freight Services and Specialized Freight Services are to be supported by back end management services, as may be required by the Franchise Agreement.

C. Pursuant to the Franchise Agreement, Blue-Grace Franchise LLC (the "Franchisor") has required Customer to enter into this Service Agreement for the provision by the Service Provider to Customer of back end management services for Freight Services and Specialized Freight Services.

**AGREEMENT**

**IN CONSIDERATION OF** the mutual benefits and obligations set forth in this Agreement, the receipt and sufficiency of which consideration is hereby acknowledged, the parties to this Agreement agree as follows:

**1. Services to be Provided.** The Customer hereby agrees to engage the Service Provider to provide the Customer with one of the following three levels of "Freight Desk" services (Check One):

Classic Freight Desk – provides back end day to day support for the Customer consisting of the following services: (i) facilitating and scheduling pickups as well as re-scheduling and preparing notifications of missed pickups; (ii) retrieval of PRO numbers not available through a transportation management software (“TMS”) within twenty-four hours and general monitoring of freight dashboard as well as inputting necessary pickup numbers, cost, quote ID and other contact information; (iii) acquiring pricing for volume, spot, guaranteed, expedited and air freight quotes from Suppliers, as defined in the Franchise Agreement; (iv) generating third-party insurance quotes and documentation, as needed; (v) requesting carrier PODs; (vi) providing assistance and guidance with filing claims directly with a carrier; (vii) requesting adjustments and corrections in relation to customer disputes regarding shipment weighing, classifying shipments and incorrect billing; (ix) providing assistance with researching proper shipment classifications and NMFC guidelines and information; (x) creating and transmitting bills of lading (“BOL”) for customers, upon Service Provider’s approval; (xi) collecting international documents necessary for international shipping; and (xii) scheduling In-Bond shipments and securing a broker.

Preferred Freight Desk – provides back end day to day support for the Customer as well as assistance and support for the Customer’s customers/end users consisting of the following services: (i) providing all of the services enumerated under the Classic Freight Desk option; (ii) providing an introductory and welcome call to Customer’s new shippers and customers; (iii) providing advanced training and assistance with Customer’s new shippers and customers; and (iv) answering direct calls pertaining to quotes, BOL copies, PODs, classification of shipments, NMFC information, TMS support and other general guidance.

Premier Freight Desk – provides back end day to day support for the Customer as well as assistance and support for the Customer’s customers/end users consisting of the following services: (i) providing all of the services enumerated under both the Classic Freight Desk and Preferred Freight Desk options; (ii) providing receivables management and inputting payment entries through a proprietary or non-proprietary billing and account management system; (iii) providing weekly account receivable reports; (iv) filing customer claims directly with carriers; (v) providing Customer with access to the Premier Desk support phone line; and (vi) handling collections and receivables from Customer’s customers/end-users, in which event Customer shall be required to maintain lockbox services at its bank and Customer shall be further required to pay all associated fees with such lockbox services.

Customer shall agree to obtain the level of service directed by the Franchisor pursuant to the Franchise Agreement, which shall be based upon a reasonable analysis of the Customer’s experience in back end management services. Service Provider hereby agrees to provide the above indicated services to the Customer. Service Provider shall not assume any liability for any

loss or damages suffered by Customer resulting from interruptions in the services provided hereunder. In the event of an interruption of services, Service Provider's responsibilities shall be limited to the obligation of making commercially reasonable efforts to restore working services as soon as possible.

**2. Term of Agreement.** The original term of this Agreement will begin on the date first set forth above and will continue in full force and effect until the expiration or termination of the Franchise Agreement, provided however that this Agreement may be terminated prior to the expiration or termination of the Franchise Agreement in accordance with the provisions of Paragraph 3 below.

**3. Termination.**

This Agreement may terminate prior to the expiration or termination of the Franchise Agreement upon any one of the following:

- (a) Service Provider may terminate this Agreement at any time it and/or the Franchisor determines in its and/or their sole discretion that the services provided hereunder are no longer needed, written notice thereof being given thirty (30) days in advance;
- (b) Service Provider may terminate this Agreement on ten (10) business days written notice, upon a default of any of the Customer's obligations hereunder; or
- (c) Service Provider may terminate this Agreement on ten (10) business days written notice in the event that Customer defaults under the Franchise Agreement and fails to cure such default within the cure period provided by the Franchise Agreement, if any.

In the event of a termination pursuant to (b) or (c) above, Service Provider shall be entitled to any other remedies available to it by law, including the right to seek damages.

Customer may terminate this Agreement only with Service Provider's written consent, which may be granted or withheld in Service Provider's sole discretion.

All obligations due by Customer shall remain due notwithstanding the termination hereof.

**4. Security Interest and Collateral Assignment of Accounts Receivables.**

Customer hereby grants to Service Provider a security interest in all of Customer's assets and any proceeds thereof (including but not limited to all accounts receivables and the proceeds of any insurance). The security interest granted herein secures: (i) all of Customer's obligations

to Service Provider under this Agreement and any other agreement between Customer and Service Provider; and (ii) all costs and expenses which Service Provider may incur in the administration and collection of these obligations. This Agreement shall constitute a security agreement and upon request of Service Provider, Customer shall execute any additional instruments required to perfect this security interest including without limitation, a standard Uniform Commercial Code (“UCC”) financing statement. Customer authorizes Service Provider:

- (a) to file a copy of this Agreement, a UCC financing statement and any other documents that may be necessary to perfect the security interest granted herein; and
- (b) to sign on behalf of Customer and to file in any jurisdiction with or without signature of Customer, financing statements with respect to this security interest and security agreement.

Customer grants Service Provider a collateral assignment of all of Customer’s account receivables for any services provided under the terms of the Franchise Agreement as collateral for the Customer’s performance of all of its obligations to the Service Provider arising under this Agreement without the need of any further documentation or assignment. Upon a default by Customer under this Agreement, Service Provider shall have the right, but not the obligation, and is hereby empowered to take such actions as may be necessary to collect the Customer’s account receivables from third-parties and Customer shall give its full cooperation to Service Provider should Service Provider elect to recover any such account receivables from third-parties, whether by suit or otherwise.

**5. Payment of Fees.**

Payment of Freight Desk service fees provided under this Agreement is dependent upon the level of Freight Desk services provided to Customer:

- (a) for Classic Freight Desk services, Customer agrees to pay Service Provider eight percent (8%) of the amount equal to Freight Gross Margin and Specialized Freight Gross Margin less Freight Royalties (“GMLR”), as these terms are defined in the Franchise Agreement;
- (b) for Preferred Freight Desk services, Customer agrees to pay Service Provider sixteen percent (16%) of GMLR; and
- (c) for Premier Freight Desk services, Customer agrees to pay Service Provider twenty-four percent (24%) of GMLR. In addition, Customer shall be charged a \$10.00 claim processing fee for each customer claim filed with a carrier by Service Provider.

Payment of Freight Desk service fees and any claim filing processing fees shall be made on a monthly basis on the tenth day of each month as payment for the prior month. Freight Desk services fees and claim filing processing fees shall be paid by Electronic Funds Transfer or Automatic Bill Payment as defined and authorized by the ETF Authorization and ABP Authorization entered into by Customer, attached as Exhibit 3 to the Franchise Agreement, except that Service Provider and/or the Affiliates may exercise their respective rights under the collateral assignment provided for in Paragraph 4 above and collect Customer's accounts receivables in which event Service Provider shall retain its Freight Desk service fees and claim filing processing fees and pay over to Customer the balance of any account receivables collected by Service Provider and/or the Affiliates.

**6. Reimbursement of Expenses.** Service Provider, upon prior notification to the Customer, will be reimbursed from time to time for all reasonable and necessary expenses actually incurred by Service Provider in connection with providing the Services hereunder, in addition to the compensation provided for above. These reimbursements shall not include Service Provider's ordinary business overhead, but may include travel expenses (including transportation, hotel and meals) and a reasonable per diem for its trainers as well as travel expenses for sales consultants provided to Customer. Service Provider will furnish statements and vouchers to the Customer for all such expenses, and payment therefor shall be due within 10 days of such invoicing

**7. Payment Penalty.** Customer shall pay to Service Provider a late payment penalty of five (5%) percent on any payment that is received by Service Provider more than five (5) days after its due date.

**8. Interest.** Customer shall pay to Service Provider interest at a rate equal to the lesser of the daily equivalent of eighteen percent (18%) per year or the highest rate of interest allowed by law on all past due amounts.

**9. Return of Property.** Upon the expiration or termination of this Agreement, Customer shall return to Service Provider all of Service Provider's confidential and proprietary information and shall not disclose that confidential and proprietary information to any third party.

**10. Assignment.** Customer will not voluntarily or by operation of law assign or otherwise transfer its respective rights or obligations under this Agreement without the prior written consent of Service Provider, which may be withheld for any reason or for no stated reason.

**11. Capacity/Independent Contractor.** It is expressly agreed that Service Provider is acting as an independent contractor and not as an employee, partner or joint venturer of Customer in providing the services agreed to under this Agreement. Service Provider and



Customer acknowledge that this Agreement does not create a partnership or joint venture between them, and is exclusively a contract for service.

**12. Modification of Agreement.** Any amendment or modification of this Agreement, or additional obligation assumed by either party in connection with this Agreement, will only be binding if evidenced in a writing signed by each party or an authorized representative of each party.

**13. Notice.** All notices, requests, demands or other communications required or permitted by the terms of this Agreement will be given in writing and delivered to either of the parties to this Agreement as follows:

If to Customer:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_, \_\_\_\_\_

If to Service Provider:

Blue-Grace Systems LLC  
2846 S. Falkenburg Rd.  
Riverview, FL 33578  
Email: [generalcounsel@mybluegrace.com](mailto:generalcounsel@mybluegrace.com)

or to such other address to which any party may from time to time notify the other of such a change. Notice shall be deemed to have been given under this provision on the date of actual receipt of such Notice or three (3) days after delivery of any such Notice into the hands of an overnight carrier or the United States Postal Service via Registered Mail. Notice of Change of Address shall be delivered and shall be deemed effective if delivered in the same manner as provided for other Notices under this provision.

**14. Costs of Enforcement and Attorneys' Fees.**

Service Provider will be entitled to recover from Customer reasonable attorneys' fees, experts' fees, court costs and all other expenses of litigation, if Service Provider prevails in any action instituted against Customer to secure or protect Service Provider's rights under this Agreement, or to enforce the terms of this Agreement or any other agreement between Service Provider and Customer or in any action commenced or joined in by Service Provider against Customer.

If Service Provider becomes a party to any action or proceeding arising out of or relating to this Agreement or any and all related agreements, as a result of any claimed or actual act, error or omission of Customer (and/or any of Customer's officers, directors, shareholders,

management, employees, contractors and/or representatives) by virtue of statutory, "vicarious", "principal/agent" or other liabilities imposed on Service Provider as a result of Service Provider's status as Service Provider; or if Service Provider becomes a party to any litigation or any insolvency proceeding involving Customer pursuant to any bankruptcy or insolvency code (including any adversary proceedings in conjunction with bankruptcy or insolvency proceedings), then Customer will be liable to, and must promptly reimburse Service Provider for, the reasonable attorneys' fees, experts' fees, court costs, travel and lodging costs and all other expenses Service Provider incurs in such action or proceeding regardless of whether such action or proceeding proceeds to judgment. In addition, Service Provider will be entitled to add all costs of collection, interest, attorneys' fees and experts' fees to Service Provider's proof of claim in any insolvency or bankruptcy proceeding that Customer files.

**15. Guarantee.** Owners of the Franchisee named in the Franchise Agreement have executed Guarantees of the Franchisee's obligations under the Franchise Agreement, as well as other agreements entered into by Franchisee. Those Guarantees shall cover this Agreement and be for the benefit of Service Provider as well and Service Provider may pursue its remedies thereunder directly.

**16. Entire Agreement.** The parties agree that this writing constitutes the entire Agreement of the parties on the subjects set forth herein and it is agreed that there are no representations, warranties, collateral agreements or condition affecting this Agreement except as expressly provided in this Agreement. Notwithstanding the above, the parties acknowledge that Customer is the Franchisee under the Franchise Agreement and remains bound by all of the obligations created thereunder.

**17. Confidentiality.** Service Provider possesses and will continue to develop and acquire certain confidential information, knowledge, knowhow, methods and procedures, some of which constitute trade secrets under applicable law, all defined as "Confidential Information" under the Franchise Agreement and being subject to a Confidential, Non-use and Non-Competition Agreement attached to the Franchise Agreement as Exhibit 6. Customer agrees that it, as Franchisee, has agreed to restrictions and obligations contained in that Exhibit 6 Agreement and the Franchise Agreement. To the extent Customer is placed in possession of Confidential Information by Service Provider, those obligations of the Customer with respect to Confidential Information as defined in the Franchise Agreement and the Confidential, Non-use and Non-Competition Agreement are incorporated herein by reference and made a part hereof and shall fully extend to and be for the benefit of Service Provider.

Customer shall require any individual to whom Confidential Information is disclosed, or if a corporation, limited liability company or partnership, its officers, directors, shareholders, employees, agents, subsidiaries and affiliates to execute a Confidentiality, Non-Use and Non-Competition Agreement as a condition of such disclosure, in the form attached to the Franchise Agreement as Exhibit 7.

## **18. Limitation of Liability and Indemnification.**

It is understood and agreed that Service Provider will have no liability to Customer or Customer's customers/end-users for any loss or damage (whether direct, indirect, or consequential) which may arise from the provision of services under this Agreement including, but not limited to errors, discrepancies, amendments, revisions, modifications and alterations of quotes or rates in connection with the offering of Freight Services and Specialized Freight Services provided to Customer by Service Provider or to Customer's customers/end-users by Service Provider or Customer. Customer agrees and acknowledges that Service Provider does not and cannot guaranty such quotes or rates because such quotes and/or rates are obtained from carriers and/or other third-parties. Customer further agrees and acknowledges that such quotes and/or rates may be amended, revised, modified or altered for any reason by carriers or other third-parties and that Service Provider has no control over such quotes and/or rates including any amendments, revisions, modifications and/or alterations of such quotes and/or rates.

Customer shall indemnify, defend and hold harmless Service Provider, its Affiliates and their respective shareholders, officers, directors, 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 arising directly or indirectly from: (i) errors, discrepancies, amendments, revisions, modifications and alterations of quotes or rates in connection with the offering of Freight Services and Specialized Freight Services provided to Customer by Service Provider or to Customer's customers/end-users by Service Provider or Customer; (ii) Customer's provision of Freight Services and Specialized Freight Services; (iii) the operation of Customer's Franchised Business, as defined in the Franchise Agreement; and (iv) Customer's breach of this Agreement, including, without limitation, those alleged to be or found to have been caused by the Indemnified Party's negligence or willful misconduct, unless (and then only to the extent that) the claims, obligations or damages are determined to be caused solely by Service Provider's gross negligence or willful misconduct in a final unappealable ruling issued by a court or arbitrator with competent jurisdiction.

For purposes of this Paragraph 18 and Customer's indemnification, "claims" include all obligations, damages (actual, consequential or otherwise) and costs that any Indemnified Party incurs in defending any claim against it including, without limitation, accountants', arbitrators', attorneys' and expert witness' fees, costs of proof of facts, court costs, travel and living expenses and other expenses of litigation, arbitration or alternative dispute resolution. Each Indemnified Party may defend any claim against it at Customer's expense and agree to settlements or take any other remedial, corrective or other actions. This indemnity will 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 Customer under this subparagraph. Customer agrees 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 Customer under this subparagraph.

**19. Inurement.** This Agreement will inure to the benefit of and be binding on the parties and their respective heirs, executors, administrators, successors and permitted assigns.

**20. Titles/Headings.** Headings are inserted for the convenience of the parties only and are not to be considered when interpreting this Agreement.

**21. Gender.** Words in the singular mean and include the plural and vice versa. Words in the masculine mean and include the feminine or neuter, and vice versa, as shall be appropriate from their context.

**22. Governing Law; Jurisdiction and Venue.**

This Agreement, all relations between the parties, and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, are to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of Florida without recourse to Florida (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of Florida, and if the Customer is located outside of Florida and the provision would be enforceable under the laws of the state in which the Customer is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state.

The parties hereby agree that any claim, controversy or dispute shall be resolved before a court of competent jurisdiction in Florida. A court of competent jurisdiction shall mean a court which is either the state court in Florida for Hillsborough County or the United States District Court for the Middle District in Florida. The parties hereby irrevocably submit themselves to the jurisdiction and venue of those courts. Customer hereby waives and covenants never to assert or claim that this venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

**23. Waiver of Trial by Jury.**

**TO THE EXTENT THAT EACH MAY LAWFULLY DO SO, SERVICE PROVIDER AND CUSTOMER BOTH WAIVE THEIR RIGHT TO A TRIAL BY JURY IN ANY ACTION THAT MAY BE BROUGHT WITH RESPECT TO THIS AGREEMENT OR ANY OTHER AGREEMENT EXECUTED IN CONNECTION HERewith.**

**24. Severability.** In the event that any of the provisions of this Agreement are held to be invalid or unenforceable, in whole or in part, all other provisions of this Agreement will nevertheless continue to be valid and enforceable with the invalid or unenforceable parts severed from the remainder of this Agreement.

**25. Waiver.** The waiver by either party of a breach, default, delay or omission in the performance of any of the provisions of this Agreement by the other party will not be construed as a waiver of any subsequent breach of the same or other provisions.

**IN WITNESS WHEREOF,** the parties have duly executed this Service Agreement the date first above written.

SERVICE PROVIDER  
BLUE-GRACE SYSTEMS LLC

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

Its: \_\_\_\_\_

CUSTOMER

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

Its: \_\_\_\_\_

**FRANCHISE AGREEMENT  
EXHIBIT 5**

**COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE**

This Collateral Assignment and Assumption of Lease (the “Agreement”), is made as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between Blue-Grace Franchise LLC (the “Franchisor”) having an address at 2846 S. Falkenburg Rd., Riverview, Florida 33578 and \_\_\_\_\_ having an address at \_\_\_\_\_ (“Franchisee”),

RECITALS:

WHEREAS, Franchisor is principally engaged in the business of developing and selling franchises under the trademark Blue-Grace Logistics®; and

WHEREAS, Franchisee is an individual or enterprise that has entered into a Franchise Agreement with Franchisor of even date herein to operate a Blue-Grace Logistics® franchise (the “Franchise Agreement”); and

WHEREAS, Franchisee has entered into a lease agreement (“Lease”) for premises located at \_\_\_\_\_ (“Premises”) from which to operate its Blue-Grace Logistics® franchise; and

WHEREAS, Franchisee delivers this Assignment to the Franchisor as a condition of the Franchisor’s consent to the Lease.

NOW, THEREFORE, for One Dollar (\$1.00) and other good and valuable consideration, receipt of which is hereby acknowledged the parties hereto agree as follows:

1. The parties agree and acknowledge that the recitals listed above are true and correct and that the recitals shall be incorporated by reference into this Agreement.

2. Franchisee conditionally assigns to the Franchisor all of the Franchisee’s rights, title and interest in and to the Lease and the Premises as collateral for the Franchisee’s performance of all of its obligations to the Lessor arising under the Lease and its obligations to the Franchisor under the Franchise Agreement, for any default or breach of any of the terms and provisions of the Lease, and in the event that the Franchise Agreement expires or is terminated either by Franchisor or Franchisee for any reason.

3. Upon a default by Franchisee under the Lease, as defined in the Lease including the expiration of any applicable cure period, or in the event the Franchise

Agreement expires or is terminated by Franchisor or Franchisee for any reason, Franchisor shall have the right, but not the obligation, and is hereby empowered to take possession of the Premises demised by the Lease and assume all of the rights, title and interest of the Franchisee in the Premises and the Lease, in which event the Franchisor shall expel Franchisee from the Premises, and Franchisor shall have all other remedies described herein or in the Franchise Agreement, or at law or in equity, without prejudice to any other rights or remedies of the Franchisor under any other agreement or under other applicable laws or equities. In such event, Franchisee shall have no further right, title or interest in the Premises or the Lease, but shall remain liable for all unpaid rents and fees owed under the Lease to landlord or Franchisor as of the date of the Franchisor's assumption of the Lease.

4. In no event shall Franchisor be responsible for any past due or other defaulted amounts due to landlord or any other third party incurred by Franchisee prior to Franchisor's assumption of the Lease. In the event that Franchisor pays any past due or other defaulted amounts to landlord or any other third party on behalf of an obligation, debt or liability incurred by Franchisee prior to the Franchisor's assumption of the Lease, Franchisee agrees to reimburse Franchisor for Franchisor's payments within five (5) calendar days after receipt of Franchisor's written notice of the same.

5. Franchisee agrees to execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by Franchisor to perfect or document the interests and assignments granted herein.

6. Franchisee shall not permit the assignment of this Agreement to become subordinate to any lien without first obtaining Franchisor's written consent, other than the lien created by this Agreement, the Franchise Agreement, any other agreement between Franchisee and Franchisor, the Lessor's lien under the Lease, liens securing bank financing for the operations of Franchisee on the Franchised Business Location and the agreements and other instruments referenced herein.

7. It is understood and agreed that the provisions set forth in this Agreement are deemed a special remedy given to the Franchisor and are not deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between the Franchisor and the Franchisee, but are deemed an additional remedy and shall be cumulative with the remedies therein and elsewhere granted to the Franchisor, all of which remedies are enforceable concurrently or successively. No exercise by the Franchisor of any of the rights hereunder will cure, waiver or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by the Franchisor will be construed as a waiver of any of its rights and remedies and no waiver by the Franchisor of any such rights and remedies shall be construed as a waiver by the Franchisor of any future rights and remedies.

8. This Agreement and all provisions hereof shall be binding upon the Franchisor and the Franchisee, their successors, assigns and legal representatives and all other persons or entities claiming under them or through them, or either of them, and the words "Franchisor" and "Franchisee" when used herein shall include all such persons and

entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals executing on behalf of corporate entities hereby represent and warrant that such execution has been duly authorized by all necessary corporate and shareholder authorizations and approvals.

9. Franchisee agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Franchisor. Any attempt at termination, modification or amendment of any of the terms without such written consent is null and void.

10. Franchisee agrees to indemnify and hold the Franchisor and its stockholders, partners, members, directors, officers and representatives harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses, that they incur resulting from any claim brought against any of them or any action which any of them are named as a party or which any of them may suffer, sustain or incur by reason of, or arising out of, the Franchisee's breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease.

11. Franchisee represents and warrants to Franchisor that it has full power and authority to so assign the Lease and its interest therein and that Franchisee has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the Premises demised thereby.

12. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Franchisee therefrom, shall in any event be effective unless the same shall be in writing and signed by the Franchisor, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

13. All notices and communications provided for hereunder shall be given in accordance with the notice provisions of the Franchise Agreement to which the Franchisee and Franchisor are parties.

14. If any provision of this Agreement (including any sentences, clauses, or any part thereof) shall be held contrary to law or incomplete or unenforceable in any respect, the remaining provisions shall not be affected but shall remain in full force and effect; any invalidated provisions shall be severed and this Agreement modified to the extent necessary to render it valid and enforceable.

15. This Agreement shall be binding upon and shall inure to the benefit of Franchisee and Franchisor and their respective subsidiaries and affiliates, and its and their successors and assigns.

16. This Agreement shall be governed by the laws of the State of Florida.



17. The parties agree to institute any litigation that the Franchisee may commence arising out of or related to this Agreement; any breach of this Agreement; the relations between the parties; and, any and all disputes between the parties, whether sounding in contract, tort, or otherwise, exclusively in a court of competent jurisdiction which is either a state court in Florida for Hillsborough County or the United States District Court for the Middle District in Florida. The parties agree that any dispute as to the venue for any litigation the Franchisee institutes will be submitted to and resolved exclusively by either a Florida state court as described herein or the United States District Court for the Middle District of Florida. The parties hereby waive and covenant never to assert or claim that this venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

Franchisee: \_\_\_\_\_

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

Franchisor: Blue-Grace Franchise LLC

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

**FRANCHISE AGREEMENT  
EXHIBIT 6**

**CONFIDENTIALITY, NON-USE AND NON-COMPETITION AGREEMENT**

AGREEMENT, dated this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between Blue-Grace Franchise LLC (“Franchisor”) having an address at 2846 S. Falkenburg Rd., Riverview, Florida 33578 and \_\_\_\_\_ having an address at \_\_\_\_\_ (“Franchisee”):

W I T N E S S E T H:

WHEREAS, Franchisor is principally engaged in the business of developing and selling franchises in the business of providing freight and specialized freight transportation and shipping services, parcel transportation and shipping services (if applicable) and auditing services (if applicable);

WHEREAS, Franchisee is an individual or enterprise which has entered into a Franchise Agreement with Franchisor (“Franchise Agreement”); and

WHEREAS, during the course of the relationship between Franchisor and Franchisee certain information may be provided to Franchisee relating to Franchisor and its Affiliates (as defined in the Franchise Agreement), including without limitation a Confidential Operating Manual, certain confidential information, knowledge, know-how, methods and procedures some of which constitutes trade secrets under applicable law (collectively, "Confidential Information") which Franchisor and its Affiliates consider proprietary. The Confidential Information does not include information which was otherwise known to Franchisee prior to the date hereof, or which is in or enters the public domain.

NOW, THEREFORE, for One Dollar (\$1.00) and other good and valuable consideration, receipt of which is hereby acknowledged the parties hereto agree as follows:

1. Franchisee on his or her own behalf and, if a corporation, limited liability company or partnership on behalf of its officers, directors, shareholders, members, partners, employees, agents, subsidiaries and affiliates, pledges and agrees that for a period commencing on the date of this Agreement and continuing thereafter, in the absence of prior written consent by Franchisor: (a) will keep all Confidential Information in strict confidence; (b) will not disclose Confidential Information to any individual or entity; (c) will not use the Confidential Information for any purpose other than as directed by and needed for Franchisor’s use; (d) will inform its subsidiaries and affiliates and the professional and financial advisors of Franchisee and its subsidiaries and affiliates of the confidential nature of the Confidential Information; (e) will not reproduce or use the

Confidential Information; and (f) at the request of Franchisor (and/or its Affiliates) will cause its employees to execute Confidentiality, Non-Use and Non-Competition Agreements in the form attached to the Franchise Agreement as Exhibit 7 thereto.

2. Confidential Information provided to Franchisee or its professional and financial advisors, or to any of its subsidiaries or affiliates and their respective professional and financial advisors by Franchisor in the course of the parties' relationship shall be delivered promptly to Franchisor upon termination of the Franchise Agreement and Franchisee's subsidiaries, affiliates, professional and financial advisors shall not retain any copy, note or extract of such Confidential Information, except as the parties hereto may agree in writing.

3. Franchisor and/or its Affiliates make no representations or warranties as to the accuracy or completeness of the Confidential Information provided to Franchisee and shall not be liable, directly or indirectly, to Franchisee or any of Franchisee's subsidiaries or affiliates as a result of any use of the Confidential Information by or on behalf of Franchisee and/or its subsidiaries or affiliates. Franchisee specifically waives any and all claims for any loss or damage suffered by it due to its use of the Confidential Information and agrees to indemnify and hold Franchisor and its Affiliates harmless for any claims made against Franchisor and/or its Affiliates based upon Franchisee's provision of the Confidential Information to third parties.

4. Franchisee agrees that the registered trademark "Blue-Grace Logistics<sup>®</sup>" among other names and marks, is a proprietary trade name of Franchisor and/or its Affiliates and that the use and any financial benefit derived from it is strictly prohibited.

5. (a) Franchisee acknowledges that Franchisor has granted it the franchise in consideration of and reliance upon Franchisee's agreement to deal exclusively with Franchisor. Franchisee therefore agrees that, during the Agreement's term, neither Franchisee, nor any of its Owners will:

(i) have any direct or indirect controlling interest as an owner — whether of record, beneficially, or otherwise — in a Competitive Business, as defined below, wherever located or operating;

(ii) have any direct or indirect non-controlling 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 subsection);

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

(iv) recruit or hire any person then employed, or who was employed within the immediately preceding twenty-four (24) months, as a manager or assistant manager at a Blue-Grace Logistics<sup>®</sup> business operated by Franchisor, its Affiliates or a franchisee without obtaining the employer's prior written permission;

(v) divert or attempt to divert any actual or potential business or customer of the Franchised Business to a Competitive Business; or

(vi) engage in any other activity which might injure the goodwill of the Principal Trademarks and the Blue-Grace Logistics<sup>®</sup> System.

(b) The term "Competitive Business" means (1) any business providing freight and specialized freight transportation and shipping services, parcel transportation and shipping services and auditing services for transportation and shipping bills, or (ii) any business granting franchises or licenses to others to operate such a business.

(c) The term "Owners" shall mean any individual or entity (including all spouses, partners, members or shareholders of such individual or entity) that has any direct or indirect ownership interest of over five percent (5%) in Franchisee, (or at such later time as they assume such status) whether or not such interest is of record, beneficially or otherwise. The term "Owners" shall also include individuals, partners, members and shareholders and (spouses of such individuals, partners, members and shareholders) with an ownership interest of over five percent (5%) in any partnership, corporation or limited liability company that holds a controlling interest in the Franchisee entity.

6. (a) Franchisee acknowledges that Franchisor has granted it the franchise in consideration of and reliance upon the agreement of Franchisee and its Owners to (1) comply with Franchisor's in-term and post-term covenants; (2) maintain the confidentiality of all of the Confidential Information including trade secrets and to refrain from using any Confidential Information in any manner not permitted by Franchisor or its Affiliates including to compete with the System; (3) protect and preserve the goodwill of the Principal Trademarks and the System; and (4) for other good and valuable consideration the sufficiency of which is hereby acknowledged by Franchisee. Accordingly, in consideration of (1), (2), (3) and (4) above, Franchisee and its Owners agree and acknowledge that for an uninterrupted period of two (2) years after the later of: (a) the termination or expiration of the Franchise Agreement (regardless of the cause for termination or expiration); (b) the transfer of the Franchised Business; and/or (c) the date of a final, non-appealable judgment or order of any court, arbitrator, panel of arbitrators or tribunal that enforces this Section 6, neither Franchisee nor any of its Owners will have any direct or indirect interest as an owner (whether of record, beneficially or otherwise), investor, partner, director, officer, employee, consultant, representative or agent in any Competitive Business (defined above) located or operating within the continental United States.

(b) Franchisee and its Owners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, the enforcement of the covenants made in this Section 6 will not deprive Franchisee or its Owners of their personal goodwill or ability to earn a living.

(c) Franchisee and its Owners agree and acknowledge that each of the covenants contained herein are reasonable limitations as to time, geographical area and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor and its Affiliates.

7. Franchisee acknowledges that violation of the covenants contained in this Confidentiality, Non-Use and Non-Competition Agreement would result in immediate and irreparable injury to Franchisor and its Affiliates for which no adequate remedy at law will be available. Accordingly, Franchisee hereby consents to the entry of an injunction procured by Franchisor and/or its Affiliates prohibiting any conduct by Franchisee in violation of the terms of those covenants and/or restrictions on the use of Confidential Information set forth in this Confidentiality, Non-Use and Non-Competition Agreement. Franchisee expressly agrees that it may conclusively be presumed in any legal action that any violation of the terms of these covenants was accomplished by and through my unlawful utilization of the Confidential Information. Further, Franchisee expressly agree that any claims it may have against Franchisor and/or its Affiliates will not constitute a defense to the enforcement of the covenants set forth in this Confidentiality, Non-Use and Non-Competition Agreement by Franchisor and/or its Affiliates. Franchisee further agrees to pay all costs and expenses (including reasonable attorneys' fees, experts' fees, court costs and all other expenses of litigation) incurred by Franchisor and/or its Affiliates in connection with the enforcement of the covenants set forth in this Confidentiality, Non-Use and Non-Competition Agreement or any action against Franchisee instituted or joined by Franchisor and/or its Affiliates to secure and protect the respective rights of the Franchisor and/or its Affiliates under this Agreement.

8. As used herein, (with respect to Franchisee) "subsidiaries" means any and all corporations, limited liability companies, partnerships, trusts or other entities controlling, controlled by or under common control with Franchisee. As used herein, (with respect to Franchisee) "affiliates" means with respect to a corporation, limited liability company or partnership (i) any employee, agent, officer, director, shareholder, member or partner or (ii) any corporation, limited liability company, partnership, trust or other entity controlling, controlled by or under common control with such corporation, limited liability company, partnership or any person described in (i) above, or (iii) any employee, agent, officer, director, trustee, general partner, or ten percent (10%) shareholder or member of any person or entity described in (ii) above, or (iv) any person who is a member, other than as a limited partner with any person described in (i) and (ii) above in a relationship of joint venture, general partnership or similar form of unincorporated business association. For purposes of these definitions, the term "control" shall mean the control or ownership of ten percent (10%) or more of the beneficial interest in the person or entity referred to.

9. If any provision of this Confidentiality, Non-Use and Non- Competition Agreement (including any sentences, clauses, or any part thereof) shall be held contrary to law or incomplete or unenforceable in any respect, the remaining provisions shall not be affected but shall remain in full force and effect; any invalidated provisions shall be severed and this Agreement modified to the extent necessary to render it valid and enforceable.

10. This Confidentiality, Non-Use and Non- Competition Agreement shall be binding upon and shall inure to the benefit of Franchisor and Franchisee and their respective subsidiaries, affiliates, successors and assigns.

11. This Confidentiality, Non-Use and Non- Competition Agreement shall be governed by the laws of the State of Florida without recourse to Florida (or any other) choice of law or conflict of law principles.

12. This Agreement contains the complete understanding of Franchisee and Franchisor with respect to the Confidential Information and this Confidentiality, Non-Use and Non- Competition Agreement shall not be amended without the prior written consent of the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

ATTEST:

\_\_\_\_\_  
(Franchisee)

\_\_\_\_\_

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

Blue-Grace Franchise LLC

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

**FRANCHISE AGREEMENT  
EXHIBIT 7**

**CONFIDENTIALITY, NON-USE AND NON-COMPETITION AGREEMENT**

AGREEMENT dated this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ dba BlueGrace Logistics - \_\_\_\_\_ (“Franchisee”) having an address at \_\_\_\_\_ and \_\_\_\_\_, and individual having an address at \_\_\_\_\_ (“Recipient”).

**WITNESSETH:**

WHEREAS, Franchisee is principally engaged in the business of operating a Blue-Grace Logistics® franchise providing freight and specialized freight transportation and shipping services, parcel transportation and shipping services (if available) and auditing services for transportation and shipping bills (if available) pursuant to a franchise agreement with Blue-Grace Franchise LLC (“Franchise Agreement”);

WHEREAS, Recipient is an individual or enterprise who is about to be employed by Franchisee, has entered into some form of contractual relationship with Franchisee or is considering the same;

WHEREAS, during the course of the relationship between Franchisee and Recipient certain information may be provided to Recipient relating to Franchisee and Blue-Grace Franchise LLC (“Franchisor”) and its Affiliates (as defined in the Franchise Agreement”), including without limitation a Confidential Operating Manual, certain confidential information, knowledge, know-how, methods and procedures some of which constitutes trade secrets under applicable law (collectively, "Confidential Information") which Franchisee and Franchisor and its Affiliates consider proprietary. The Confidential Information does not include information which was otherwise known to Recipient prior to the date hereof, or which is in or enters the public domain; and

WHEREAS, in consideration of Franchisee agreeing to enter into the relationship described herein, Recipient agrees to honor certain requirements concerning the confidentiality, non-use and non-disclosure of the Confidential Information and the non-competition obligations set forth herein;

NOW, THEREFORE, for One Dollar (\$1.00) and other good and valuable consideration, receipt of which is hereby acknowledged the parties hereto agree as follows:

1. Recipient on his or her own behalf and, if a corporation, limited liability company or partnership on behalf of its officers, directors, shareholders, members,



partners, employees, agents, subsidiaries and affiliates, pledges and agrees that for a period commencing on the date of this Agreement and continuing thereafter, in the absence of prior written consent by Franchisee: (a) will keep all Confidential Information in strict confidence; (b) will not disclose Confidential Information to any individual or entity; (c) will not use the Confidential Information for any purpose other than as directed by and needed for Franchisee's use; (d) will inform its subsidiaries and affiliates and the professional and financial advisors of Recipient and its subsidiaries and affiliates of the confidential nature of the Confidential Information; (e) will not reproduce or use the Confidential Information; and (f) at the request of Franchisee, Franchisor and/or its Affiliates will cause its employees to execute a confidentiality, non-use and non-competition agreement in this form.

2. Confidential Information provided to Recipient or its professional and financial advisors, or to any of its subsidiaries or affiliates and their respective professional and financial advisors by Franchisee in the course of the parties' relationship shall be delivered promptly to Franchisee upon termination of Recipient's relationship with Franchisee and Recipient's subsidiaries, affiliates, professional and financial advisors shall not retain any copy, note or extract of such Confidential Information, except as the parties hereto may agree in writing.

3. Franchisee, Franchisor and its Affiliates make no representations or warranties as to the accuracy or completeness of the Confidential Information provided to Recipient and shall not be liable, directly or indirectly, to Recipient or any of Recipient's subsidiaries or affiliates as a result of any use of the Confidential Information by or on behalf of Recipient and/or its subsidiaries or affiliates. Recipient specifically waives any and all claims for any loss or damage suffered by it due to its use of the Confidential Information and agrees to indemnify and hold Franchisee, Franchisor and its Affiliates harmless for any claims made against Franchisee, Franchisor and its Affiliates based upon Recipient's provision of the Confidential Information to third parties.

4. Recipient agrees that the registered trademark "Blue-Grace Logistics<sup>®</sup>" among other names and marks, is a proprietary trade name of Franchisee, Franchisor and its Affiliates and that the use and any financial benefit derived from it is strictly prohibited.

5. (a) Recipient acknowledges that Franchisee has entered into the relationship described herein in consideration of and reliance upon Recipient's agreement to honor certain requirements concerning the confidentiality, non-use and non-disclosure of the Confidential Information. Recipient therefore agrees that, during the term of Recipient's relationship with Franchisee, neither Recipient, nor any of its Owners will:

(i) have any direct or indirect controlling interest as an owner — whether of record, beneficially, or otherwise — in a Competitive Business, as defined below, wherever located or operating;

(ii) have any direct or indirect non-controlling 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 subsection);

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

(iv) recruit or hire any person then employed, or who was employed within the immediately preceding twenty-four (24) months, as a manager or assistant manager at a Blue-Grace Logistics<sup>®</sup> business operated by Franchisor, its Affiliates, Franchisee or Franchisee's affiliates without obtaining the employer's prior written permission;

(v) divert or attempt to divert any actual or potential business or customer of the Franchised Business to a Competitive Business; or

(vi) engage in any other activity which might injure the goodwill of the Principal Trademarks and the Blue-Grace Logistics<sup>®</sup> System.

(b) The term "Competitive Business" means (1) any business providing freight and specialized freight transportation and shipping services, parcel transportation and shipping services and auditing services for transportation and shipping bills, or (ii) any business granting franchises or licenses to others to operate such a business.

(c) The term "Owners" shall mean any individual or entity (including all spouses, partners, members or shareholders of such individual or entity) that has any direct or indirect ownership interest of over five percent (5%) in Recipient, (or at such later time as they assume such status) whether or not such interest is of record, beneficially or otherwise. The term "Owners" shall also include individuals, partners, members and shareholders and (spouses of such individuals, partners, members and shareholders) with an ownership interest of over five percent (5%) in any partnership, corporation or limited liability company that holds a controlling interest in the Recipient entity.

6. (a) Recipient acknowledges that Franchisee has entered into the relationship described herein in consideration of and reliance upon the agreement of Recipient and its Owners to (1) comply with Franchisee's in-term and post-term covenants; (2) maintain the confidentiality of all of the Confidential Information including trade secrets and to refrain from using any Confidential Information in any manner not permitted by Franchisee, Franchisor or its Affiliates including to compete with the System; (3) protect and preserve the goodwill of the Principal Trademarks and the System and (4) for other good and valuable consideration the sufficiency of which is hereby acknowledged by Recipient. Accordingly, in consideration of (1), (2), (3) and (4)

above, Recipient and its Owners agree and acknowledge that for an uninterrupted period of two (2) years after the latter of: (a) the termination or expiration of Recipient's relationship with Franchisee (regardless of the cause for termination or expiration); or (b) the date of a final non-appealable judgment or order of any court, arbitrator, panel of arbitrators or tribunal that enforces this Section 6, neither Recipient nor any of its Owners will have any direct or indirect interest as an owner (whether of record, beneficially or otherwise), investor, partner, director, officer, employee, consultant, representative or agent in any Competitive Business (defined above) located or operating:

(i) within seventy-five (75) miles of the location of Franchisee's Franchised Business, as defined in the Franchise Agreement;

(ii) within seventy-five (75) miles of the location of any other Blue-Grace Logistics<sup>®</sup> business owned, in operation, under development or to be developed by Franchisee, Franchisor, its Affiliates or another franchisee of Franchisor on the date Recipient's relationship with Franchisee began;

(iii) within seventy-five (75) miles of the location of any other Blue-Grace Logistics<sup>®</sup> business owned, in operation, under developed or to be developed by Franchisee, Franchisor, its Affiliates or a franchisee of Franchisor as of the date of the termination or expiration of Recipient's relationship with Franchisee;

(iv) within seventy-five (75) miles of the location of any Blue-Grace Logistics<sup>®</sup> business owned, in operation, under development or to be developed by Franchisee, Franchisor, its Affiliates or another franchisee of Franchisor as of the date of a final, non-appealable judgment or order of any court, arbitrator, panel of arbitrators or tribunal that enforces this Section 6.

(b) Recipient and its Owners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, the enforcement of the covenants made in this Section 6 will not deprive Recipient or its Owners of their personal goodwill or ability to earn a living.

(c) Recipient and its Owners agree and acknowledge that each of the covenants contained herein are reasonable limitations as to time, geographical area and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisee, Franchisor and its Affiliates.

7. Recipient acknowledges that violation of the covenants contained in this Confidentiality, Non-Use and Non-Competition Agreement would result in immediate and irreparable injury to Franchisee, Franchisor and/or its Affiliates for which no adequate remedy at law will be available. Accordingly, Recipient hereby consents to the entry of an injunction procured by Franchisee, Franchisor and/or its Affiliates prohibiting any conduct by Recipient in violation of the terms of those covenants and/or restrictions on the use of Confidential Information set forth in this Confidentiality, Non-Use and

Non- Competition Agreement. Recipient expressly agrees that it may conclusively be presumed in any legal action that any violation of the terms of these covenants was accomplished by and through my unlawful utilization of the Confidential Information. Further, Recipient expressly agree that any claims it may have against Franchisee, Franchisor and/or its Affiliates will not constitute a defense to the enforcement of the covenants set forth in this Confidentiality, Non-Use and Non- Competition Agreement by Franchisee, Franchisor and/or its Affiliates. Recipient further agrees to pay all costs and expenses (including reasonable attorneys' fees, experts' fees, court costs and all other expenses of litigation) incurred by Franchisee, Franchisor and/or its Affiliates in connection with the enforcement of the covenants set forth in this Confidentiality, Non-Use and Non- Competition Agreement or any action against Recipient instituted or joined by Franchisee, Franchisor and/or its Affiliates to secure and protect the respective rights of the Franchisee, Franchisor and/or its Affiliates under this Agreement.

8. As used herein, (with respect to Recipient) "subsidiaries" means any and all corporations, limited liability companies, partnerships, trusts or other entities controlling, controlled by or under common control with Recipient. As used herein, (with respect to Recipient) "affiliates" means with respect to a corporation, limited liability company or partnership (i) any employee, agent, officer, director, shareholder, member or partner or (ii) any corporation, limited liability company, partnership, trust or other entity controlling, controlled by or under common control with such corporation, limited liability company, partnership or any person described in (i) above, or (iii) any employee, agent, officer, director, trustee, general partner, or ten percent (10%) shareholder or member of any person or entity described in (ii) above, or (iv) any person who is a member, other than as a limited partner with any person described in (i) and (ii) above in a relationship of joint venture, general partnership or similar form of unincorporated business association. For purposes of these definitions, the term "control" shall mean the control or ownership of ten percent (10%) or more of the beneficial interest in the person or entity referred to.

9. If any provision of this Confidentiality, Non-Use and Non- Competition Agreement (including any sentences, clauses, or any part thereof) shall be held contrary to law or incomplete or unenforceable in any respect, the remaining provisions shall not be affected but shall remain in full force and effect; any invalidated provisions shall be severed and this Agreement modified to the extent necessary to render it valid and enforceable.

10. This Confidentiality, Non-Use and Non- Competition Agreement shall be binding upon and shall inure to the benefit of Franchisee and Recipient and their respective subsidiaries, affiliates, successors and assigns.

11. This Confidentiality, Non-Use and Non- Competition Agreement shall be governed by the laws of the State of Florida without recourse to Florida (or any other) choice of law or conflicts of law principles.

12. This Agreement contains the complete understanding of Recipient and

Franchisee with respect to the Confidential Information and this Confidentiality, Non-Use and Non- Competition Agreement shall not be amended without the prior written consent of the parties.

13. Recipient acknowledges that Franchisor and its Affiliates are third-party beneficiaries under this Confidentiality, Non-Use and Non- Competition Agreement and may enforce this Confidentiality, Non-Use and Non- Competition Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

ATTEST: Recipient: \_\_\_\_\_

\_\_\_\_\_ BY: \_\_\_\_\_

Franchisee: \_\_\_\_\_

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

**FRANCHISE AGREEMENT  
EXHIBIT 8**

**ASSIGNMENT OF TELEPHONE AND INTERNET LISTINGS AND  
ADVERTISEMENTS**

Pursuant to its obligations under a certain franchise agreement of the same date herein by and among Blue-Grace Franchise LLC as Franchisor and \_\_\_\_\_ as Franchisee (the "Franchise Agreement"), for good and valuable consideration the receipt and sufficiency is hereby acknowledged, does hereby assign, sell, transfer and convey to Blue-Grace Franchise LLC all of Franchisee's right, title and interest as of the date hereof in and to all telephone, facsimile and other numbers, telephone directory listings, email addresses, domain names, website addresses, URLs, Internet and website directory listings, web based platform and program accounts, including but not limited to Social Media Platform (as defined in the Franchise Agreement) accounts and other media in which the Franchised Business is listed or the Principal Trademarks displayed (collectively "Telephone and Internet Listings and Advertisements") in existence as of the date of the expiration or termination of the Franchise Agreement.

Without limitation, the Telephone and Internet Listings and Advertisements include the following:

Telephone, facsimile and other numbers: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Telephone directory listings: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Email addresses: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Domain names: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Website addresses: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

URLs: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Internet and website directory listings: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Web based platform and program accounts, including but not limited to Social Media Platform accounts: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Other Media referencing the Franchised Business: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Upon the expiration or termination of the Franchise Agreement, Franchisor shall have the right but not the obligation, and is hereby authorized to take possession of the Telephone and Internet Listings and Advertisements and assume all of the rights, title and interest of the Franchisee in the Telephone and Internet Listings and Advertisements.

Franchisee represents and warrants to Blue-Grace Franchise LLC that it is the lawful owner of the Telephone and Internet Listings and Advertisements, and that Franchisee has the right to assign the Telephone and Internet Listings and Advertisements free and clear of any interest therein.

Franchisee hereby appoints Blue-Grace Franchise LLC and/or its successors and assigns as attorney-in-fact for Franchisee to execute such documents as are necessary or desirable to effect the assignment of the Telephone and Internet Listings and Advertisements to Blue-Grace Franchise LLC. Franchisee authorizes Blue-Grace Franchise LLC and/or its successors and assigns as attorney-in-fact to insert references to those Telephone and Internet Listings and Advertisements in existence as of the date of the expiration or termination of the Franchise Agreement where applicable above at such times as Franchisor may determine, including but not limited to upon the expiration or termination of the Franchise Agreement. Franchisee will, at any time and from time to time after the date hereof, upon the reasonable request of Blue-Grace Franchise LLC, do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged or delivered, all such further acts, deeds, assignments, transfers, conveyances, powers of attorney or assurances as may be required for transferring, assigning, conveying and





**FRANCHISE AGREEMENT  
EXHIBIT 9**

**GUARANTEE OF BLUE-GRACE FRANCHISE LLC  
FRANCHISE AGREEMENT**

In consideration of the execution by Franchisor of the Franchise Agreement (the "Franchise Agreement") dated the same date as herein between Blue-Grace Franchise LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee") and for other good and valuable consideration, each of the undersigned, for themselves, their heirs, successors and assigns, do jointly, individually and severally hereby absolutely and unconditionally guarantee the payment of all amounts and the performance of all covenants, terms, conditions, agreements and undertakings contained and set forth in said Franchise Agreement and in any other agreement(s) by and between Franchisee and Franchisor and/or its Affiliates (as defined in the Franchise Agreement).

If more than one person has executed this Guarantee, the term "the undersigned", as used herein, shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

The undersigned, individually and jointly, hereby agree to be personally bound by each and every covenant, term, condition, agreement and undertaking contained and set forth in said Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor and/or its Affiliates, and agree that this Guarantee shall be construed as though the undersigned and each of them executed agreement(s) containing the identical terms and conditions of the Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor and/or its Affiliates.

The undersigned hereby agree that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder (a) any term, covenant or condition of the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor and/or its Affiliates may be amended, compromised, released or otherwise altered by the parties to such agreement, and the undersigned do guarantee and promise to perform all the obligations of Franchisee under the Franchise Agreement and any other agreement as so amended, compromised, released or altered; (b) any guarantor of or party to the Franchise Agreement may be released, substituted or added; (c) any right or remedy under the Franchise Agreement, this Guarantee or any other instrument or agreement between Franchisee and Franchisor and/or its Affiliates may be exercised, not exercised, impaired, modified, limited, destroyed or suspended; and (d) Franchisor, its Affiliates or any other person may deal in any manner with Franchisee, any of the undersigned, any party to the Franchise Agreement or any other person.

Should Franchisee be in breach or default under the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor and/or its Affiliates, Franchisor and/or its Affiliates may proceed directly against any or each of the undersigned without first

proceeding against Franchisee and without proceeding against or naming in such suit any other Franchisee, signatory to the Franchise Agreement or any others of the undersigned.

Notice to or demand upon Franchisee or any of the undersigned shall be deemed notice to or demand upon Franchisee and all of the undersigned, and no notice or demand need be made to or upon any or all of the undersigned. The cessation of or release from liability of Franchisee or any of the undersigned shall not relieve any other guarantor from liability hereunder, under the Franchise Agreement, or under any other agreement(s) between Franchisee and Franchisor and/or its Affiliates, except to the extent that the breach or default has been remedied or monies owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its Affiliates, agents, successors or assigns, with respect to the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor and/or its Affiliates, shall in no way modify or amend this Guarantee, which shall be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee shall inure to the benefit of the Franchisor, its Affiliates and their respective successors and assigns. This Guarantee may be assigned by Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

This Guarantee is to be exclusively construed in accordance with and/or governed by the laws of the State of Florida without recourse to Florida (or any other) choice of law or conflicts of law principles. If, however, any provision of this Guarantee would not be enforceable under the laws of Florida, and if the Franchised Business is located outside of Florida and the provision would be enforceable under the laws of the state in which the Franchised Business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Guarantee is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant," unfair competition, fiduciary or any other doctrine of law of the State of Florida or any other state, which would not otherwise apply.

The undersigned agree to institute any litigation that the undersigned may commence arising out of or related to this Guarantee or the Franchise Agreement; any breach of the Franchise Agreement; the relations between the parties; and any and all disputes between the parties, whether sounding in contract, tort, or otherwise, exclusively in a court of competent jurisdiction which is either in a Florida state court for Hillsborough County, Florida or the United States District Court for the Middle District of Florida. The undersigned hereby waive and covenant never to assert or claim that this venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens). The undersigned further agree that Franchisor and/or its Affiliates may institute any litigation that it commences arising out of or related to this Guarantee, the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor and/or its Affiliates; any breach of this Guarantee, the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor and/or its Affiliates; the relations between the parties; and any and all disputes between the parties, whether sounding in contract, tort, or otherwise, in any court of competent jurisdiction, wherever situated, that Franchisor and/or its Affiliates select. The undersigned agree that any dispute as to the venue for the

litigation Franchisor and/or its Affiliates institute will be submitted to and resolved exclusively by the court of competent jurisdiction in which Franchisor and/or its Affiliates commenced the litigation. The undersigned hereby waive and covenant never to assert or claim that this venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

The undersigned further agree to pay all costs and expenses (including reasonable attorneys', experts' fees, court costs and all other expenses of litigation) incurred by Franchisor and/or its Affiliates in connection with the enforcement of this Guarantee, the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor and/or its Affiliates; in connection with any breach of this Guarantee, the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor and/or its Affiliates; in connection with the relations between the parties and any and all disputes between the parties, whether sounding in contract, tort or otherwise; or any action against the undersigned instituted or joined by Franchisor and/or its Affiliates to secure and protect the respective rights of Franchisor and/or its Affiliates under this Guarantee.

Should any one or more provisions of this Guarantee be determined to be illegal or unenforceable, all other provisions shall nevertheless be effective.

IN WITNESS WHEREOF, each of the undersigned has executed this Guarantee effective as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Attest:

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Address

Attest:

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Address

**FRANCHISE AGREEMENT  
EXHIBIT 10**

**BLUE-GRACE FRANCHISE LLC  
FRANCHISE COMPLIANCE CERTIFICATION**

As Franchisee knows, Blue-Grace Franchise LLC (the “Franchisor”) and Franchisee are preparing to enter into a Franchise Agreement for the establishment and operation of a “Blue-Grace Logistics<sup>®</sup>” franchised business (the “Franchised Business”). The purpose of this Questionnaire is to determine whether any statements or promises were made to Franchisee that Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. I had my first face-to-face meeting with one of Franchisor’s representatives on \_\_\_\_\_, 20\_\_.

2. Has Franchisee received and personally reviewed the Franchise Agreement and if applicable, each Addendum and related agreement attached thereto?

Yes \_\_\_\_\_ No \_\_\_\_\_

3. Does Franchisee understand all of the information contained in the Franchise Agreement and each Addendum and related agreement provided to Franchisee?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, what parts of the Franchise Agreement, Addendum and/or related agreement does Franchisee not understand? (Attach additional pages, as needed.)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Have Franchisee received and personally reviewed Franchisor’s Franchise Disclosure Document (“FDD”) that was provided to Franchisee?

Yes \_\_\_\_\_ No \_\_\_\_\_

5. Did Franchisee sign a receipt for the FDD indicating the date Franchisee received it?

Yes \_\_\_\_\_ No \_\_\_\_\_

6. Does Franchisee understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, what parts of the FDD and/or Addendum does Franchisee not understand?  
(Attach additional pages, as needed.)

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7. Has Franchisee discussed with an attorney, accountant, or other professional advisor the benefits and risks of establishing and operating a business as a Franchised Business?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, does Franchisee wish to have more time to do so?

Yes \_\_\_\_\_ No \_\_\_\_\_

8. Does Franchisee understand that the success or failure of Franchisee's Franchised Business will depend in large part upon Franchisee's skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes \_\_\_\_\_ No \_\_\_\_\_

9. Has any employee or other person speaking on behalf of Franchisor made any statement or promise to Franchisee (or, to the best of Franchisee's knowledge, information and belief, to any person or entity on Franchisee's behalf) concerning the actual or possible revenues, profits or operating costs of a Blue-Grace Logistics<sup>®</sup> Franchised Business operated by Franchisor or any of its franchisees, that is contrary to the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Has any employee or other person speaking on behalf of Franchisor made any statement or promise to Franchisee (or to the best of Franchisee's knowledge, information and belief, to any person or entity on Franchisee's behalf) regarding the amount of money Franchisee may earn in operating a business as a Franchised Business that is not otherwise stated in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to Franchisee (or, to the best of Franchisee's knowledge, information and belief, to any person or entity or Franchisee's behalf) concerning the total amount of revenue a business as a Franchised Business will or may generate, that is not otherwise stated in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

12. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to Franchisee (or, to the best of Franchisee's knowledge, information and belief, to any person or entity or Franchisees behalf) regarding the costs Franchisee may incur in operating a business as a Franchised Business, that is contrary to or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

13. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise to Franchisee (or, to the best of Franchisee's knowledge, information and belief, to any person or entity on Franchisee's behalf) concerning the likelihood of success that Franchisee should or might expect to achieve from operating a business as a Franchised Business?

Yes \_\_\_\_\_ No \_\_\_\_\_

14. Has any employee or other person speaking on behalf of the Franchisor made any statement, agreement or promise to Franchisee (or, to the best of Franchisee's knowledge, information and belief, to any person or entity on Franchisee's behalf) concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to Franchisee that is contrary to or different from the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

15. Has Franchisee entered into any binding agreement with Franchisor concerning the purchase of this franchise prior to today?

Yes \_\_\_\_\_ No \_\_\_\_\_

16. Has Franchisee paid any money to Franchisor concerning the purchase of this franchise prior to today?

Yes \_\_\_\_\_ No \_\_\_\_\_

17. Does Franchisee understand that the territorial rights Franchisee have been granted are subject to limitations and exceptions?

Yes \_\_\_\_\_ No \_\_\_\_\_

18. Does Franchisee understand that Franchisor and its affiliates and subsidiaries retain the right, directly or through others, to develop businesses and franchise other similar franchises or different franchise systems inside or outside of Franchisee's territory?

Yes \_\_\_\_\_ No \_\_\_\_\_

19. Does Franchisee understand that the Franchise Agreement contain the entire agreement between Franchisee and Franchisor concerning the franchise, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding?

Yes \_\_\_\_\_ No \_\_\_\_\_

20. If Franchisee have answered "Yes" to any of questions 9-16, please provide a full explanation of each "yes" answer in the following blank lines. (Attach additional pages as needed and refer to them below.) If Franchisee has answered "no" to each of questions 9-16, then please leave the following lines blank.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

21. I signed the Franchise Agreement and Addenda (if any) on \_\_\_\_\_, 20\_\_\_, and acknowledge that no Agreement or Addendum is effective until signed and dated by Franchisor.

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

**FRANCHISEE UNDERSTANDS THAT FRANCHISEE'S ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, FRANCHISEE IS REPRESENTING THAT FRANCHISEE HAS CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.**

FRANCHISEE

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

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

Date: \_\_\_\_\_, 20\_\_\_

**FRANCHISE AGREEMENT  
EXHIBIT 11**

**STATE AMENDMENTS**



**AMENDMENT TO BLUE-GRACE FRANCHISE LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF CALIFORNIA**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Blue-Grace Franchise LLC (“Franchisor”) dated \_\_\_\_\_, 20\_\_\_\_ (the “Agreement”), shall be amended and superseded by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

CALIFORNIA LAW MODIFICATIONS

1. The California Department of Corporations requires that certain provisions contained in the franchise documents for franchises offered or sold to either a resident of the State of California or non-resident who will be operating a franchised business in the State of California be amended to be consistent with California law, including the California Franchise Investment Law §§ 31000 through 31516, and the California Franchise Relations Act, California Business and Professions Code §§ 20000 through 20043 (collectively the “Acts”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended and superseded:

a. The Acts provide rights to Franchisee concerning non-renewal and termination of the Agreement. The Federal Bankruptcy Code (11 U.S.C. §101 et seq.) also provides rights to Franchisee concerning termination of the Agreement upon certain bankruptcy-related events. To the extent the Agreement contains a provision that is inconsistent with these laws, these laws will control.

b. If the Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Acts. California Corporations Code 31512 voids a waiver of Franchisee’s rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of Franchisee’s rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

c. If the Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damage clause may be unenforceable.

d. If the Agreement contains a covenant not to compete which extend beyond the expiration or termination of the Agreement, the covenant may be unenforceable under California law.

e. If the Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of California, the requirement may be unenforceable under California law.

f. If the Agreement requires that it be governed by a state’s law, other than the State of California, such requirement may be unenforceable.

IN WITNESS WHEREOF, the Franchisee on behalf or itself and its equity owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound by it. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE: \_\_\_\_\_

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

BLUE-GRACE FRANCHISE LLC

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

**AMENDMENT TO BLUE-GRACE FRANCHISE LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF HAWAII**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Blue-Grace Franchise LLC (“Franchisor”) dated \_\_\_\_\_, 20\_\_\_\_ (the “Agreement”), shall be amended and superseded by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

HAWAII LAW MODIFICATIONS

1. The Securities Commissioner of the State of Hawaii requires that certain provisions contained in the franchise documents offered or sold to either a resident of the State of Hawaii or a non-resident who will be operating a franchise in the State of Hawaii be amended to be consistent with Hawaii Franchise Investment Law, Hawaii Rev, Stat §§ 482E, et seq. (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended and superseded.

a. If the Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Act.

b. The Articles and Sections of the Agreement as they relate to non-renewal, termination and transfer are only applicable if they are not inconsistent with the Hawaii Franchise Investment Law. Otherwise, the Hawaii Investment Law will control.

c. The Agreement permits Franchisor to terminate the Agreement on the bankruptcy of the Franchisee. This Section may not be enforceable under federal bankruptcy law (11 U.S.C. §101, et seq.)

2. Each provision of the Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. To the extent this Amendment is inconsistent with any terms or conditions of the Agreement or the Exhibits thereto, the terms of this Amendment shall govern.

IN WITNESS WHEREOF, the Franchisee on behalf or itself and its equity owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound by it. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE: \_\_\_\_\_

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

BLUE-GRACE FRANCHISE LLC

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

**AMENDMENT TO BLUE-GRACE FRANCHISE LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF ILLINOIS**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Blue-Grace Franchise LLC (“Franchisor”) dated \_\_\_\_\_, 20\_\_\_\_ (the “Agreement”), shall be amended and superseded by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

ILLINOIS LAW MODIFICATIONS

1. The Illinois Attorney General’s Office requires that certain provisions contained in the franchise documents offered or sold to either a resident of the State of Illinois or a non-resident who will be operating a franchise in the State of Illinois be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Rev. Stat. Ch. 815 Para 705/1 – 705/44 (1994) (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended and superseded.

a. Paragraphs 705/19 and 705/20 of the Act provide rights to Franchisee concerning non-renewal and termination of this Agreement. If this Agreement contains a provision that is inconsistent with these paragraphs of the Act, the Act will control.

b. Any release of claims or acknowledgments of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act shall be void and are hereby deleted with respect to claims under the Act.

c. If this Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void with respect to claims under the Act.

d. If this Agreement requires that it be governed by a state’s law, other than the State of Illinois, to the extent that such law conflicts with Illinois law, Illinois law will control, without regard to conflicts of law.

e. Paragraph 705/5(2) of the Act requires that Blue-Grace Franchise LLC provide Franchisee a copy of its disclosure document at least 14 days prior to Franchisee’s signing any binding Franchise Agreement or other agreement or paying any consideration. If this Agreement contains provisions that are inconsistent with this Paragraph of the Act, the Act will control.

f. Nothing in this Agreement waives any rights the Franchisee may have under Section 41 of the Act or other Illinois laws.

2. Each provision of the Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, applicable to the provision, are met independently of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. The Franchise Agreement is hereby amended to state that the Franchisor agrees to defer collection of all fees paid to the Franchisor by the Franchisee, including payments of goods and services received from the Franchisor before business opens until Franchisor has satisfied all of its material pre-opening obligations to the Franchisee. The Illinois Attorney General's Office made this determination based on our financial statements.

IN WITNESS WHEREOF, the Franchisee on behalf or itself and its equity owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound by it. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE: \_\_\_\_\_

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

BLUE-GRACE FRANCHISE LLC

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

**AMENDMENT TO BLUE-GRACE FRANCHISE LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF INDIANA**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Blue-Grace Franchise LLC (“Franchisor”) dated \_\_\_\_\_, 20\_\_\_\_ (the “Agreement”), shall be amended and superseded by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

INDIANA LAW MODIFICATIONS

1. The Indiana Securities Commissioner requires that certain provisions contained in the franchise documents offered or sold to either a resident of the State of Indiana or a non-resident who will be operating a franchise in the State of Indiana be amended to be consistent with Indiana law, including the Indiana Deceptive Franchise Practices Law, Indiana Code §§ 23-2-2.7-1 through 23-2-2.7-10, and the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2-2.5-1 through 23-2-2-2.5-51 (collectively the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended and superseded.

a. The Indiana Deceptive Franchise Practices Act provides rights to Franchisee concerning non-renewal and termination of this Agreement. To the extent the Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate this Act, or a rule or order under the Act, such release shall exclude claims arising under the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, and such acknowledgments shall be void with respect to claims under the Acts.

c. If this Agreement contains covenants not to compete upon expiration or termination of the Agreement that are inconsistent with the Indiana Deceptive Franchise Practices Act, the requirements of the Act will control.

d. The Indiana Deceptive Franchise Practices Act provides that substantial modification of the Agreement by Blue-Grace Franchise LLC requires written consent of the Franchisee. If the Agreement contains provisions that are inconsistent with this requirement, the Act will control.

e. If the Agreement requires litigation to be conducted in a forum other than the State of Indiana, the requirement may be unenforceable as a limitation on litigation under the Indiana Deceptive Franchise Practices Act.

f. If the Agreement requires that it be governed by a state's law, other than the State of Indiana, to the extent that such law conflicts with the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, the Act will control.

2. Each provision of the Amendment shall be effective only to the extent that the jurisdictional requirements of the Indiana Deceptive Franchise Practices Act and the Indiana Franchises Act, relating to each such provision, are met independent of this Agreement. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf or itself and its equity owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound by it. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_.

FRANCHISEE: \_\_\_\_\_

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

BLUE-GRACE FRANCHISE LLC

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_



**AMENDMENT TO BLUE-GRACE FRANCHISE LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF MARYLAND**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Blue-Grace Franchise LLC (“Franchisor”) dated \_\_\_\_\_, 20\_\_ (the “Agreement”), shall be amended and superseded by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

MARYLAND LAW MODIFICATIONS

1. The Maryland Securities Division requires that certain provisions contained in the franchise documents offered or sold to either a resident of the State of Maryland or a non-resident who will be operating a franchise in the State of Maryland be amended to be consistent with Maryland law, including the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 – 14-233 (1998 and Supp. 2000) and the rules and regulations promulgated thereunder (the “Franchise Law”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended and superseded.

a. Any general release required as a condition of renewal, sale, and/or assignment/transfer of the franchise shall not apply to any liability under the Franchise Law.

b. A franchisee has the right to bring a lawsuit in Maryland for claims arising under the Franchise Law.

2. Any claims arising under the Maryland Franchisor Registration and Disclosure Law must be brought within three years after the grant of the franchise.

3. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Franchise Law.

4. Each provision of the Amendment shall be effective only to the extent that the jurisdictional requirements of the Franchise Law, relating to each such provision, are met independent of this Agreement. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

5. All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the franchise agreement.

IN WITNESS WHEREOF, the Franchisee on behalf or itself and its equity owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound by it. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE: \_\_\_\_\_

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

BLUE-GRACE FRANCHISE LLC

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

**AMENDMENT TO BLUE-GRACE FRANCHISE LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Blue-Grace Franchise LLC (“Franchisor”) dated \_\_\_\_\_, 20\_\_\_\_ (the “Agreement”), shall be amended and superseded by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

MINNESOTA LAW MODIFICATIONS

1. The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in the franchise documents offered or sold to either a resident of the State of Minnesota or a non-resident who will be operating a franchise in the State of Minnesota be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Minnesota Franchise Act (collectively the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended and superseded.

a. The Minnesota Department of Commerce requires that Franchisor indemnify Minnesota licensees against liability to third parties resulting from claims by third parties that the Franchisee’s use of the Principal Trademarks infringes trademark rights of the third party

b. Franchise Act. Sec. 80C14, Subd. 4. requires, except in certain specified cases, that a franchisee be given written notice of a franchisor’s intention not to renew 180 days prior to expiration of the franchise and that the franchisee be given sufficient opportunity to operate the franchise in order to enable the franchisee the opportunity to recover the fair market value of the franchise as a going concern. If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Franchise Act’s requirements and shall have no force or effect.

c. Franchise Act, Sec. 80C.14, Subd. 3. requires, except in certain specified cases that a franchisee be given 90 days notice of termination (with 60 days to cure). If the Agreement contains a provision that is inconsistent with the Franchise Act, the provisions of the Agreement shall be superseded by the Franchise Act’s requirements and shall have no force or effect.

d. If the Franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Franchise Act, such release shall exclude claims arising under the Franchise Act, and such acknowledgements shall be void with respect to claims under the Franchise Act.

e. If the Agreement requires it be governed by a state’s law, other than the State of Minnesota or provides for arbitration or mediation, these provisions shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

f. Franchise Act, Sec. 80C17, Subd.5. states that no civil action may be commenced for violation of the Franchise Act more than 3 years after the cause of the action accrues. To the extent that any limitations in the Agreement are inconsistent with those under the Franchise Act, these provisions of the Agreement are superseded by the Franchise Act's requirements and shall have no force or effect.

g. Article 20.6 of the Agreement is amended to add the following:

Minn. Rule Part 2860.4400J prohibits Franchisor from requiring Franchisee waive its rights to a jury trial or waive its rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

2. Each provision of the Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, relating to each such provision, are met independent of this Agreement. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. Pursuant to Minn. Rule 2860.4400J, Franchisee may not waive consent to Franchisor obtaining injunctive relief. Accordingly, the Franchise Agreement is amended to provide that Franchisor may seek injunctive relief. Moreover, the Franchise Agreement is further amended to provide that in connection with obtaining an injunctive relief, the court may determine that a bond is required.

IN WITNESS WHEREOF, the Franchisee on behalf or itself and its equity owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound by it. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_.

FRANCHISEE: \_\_\_\_\_

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

BLUE-GRACE FRANCHISE LLC

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

**AMENDMENT TO BLUE-GRACE FRANCHISE LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF NORTH DAKOTA**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Blue-Grace Franchise LLC (“Franchisor”) dated \_\_\_\_\_, 20\_\_\_\_ (the “Agreement”), shall be amended and superseded by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

NORTH DAKOTA LAW MODIFICATIONS

1. The North Dakota Securities Commissioner requires that certain provisions contained in the franchise documents offered or sold to either a resident of the State of North Dakota or a non-resident who will be operating a franchise in the State of North Dakota be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, North Dakota Century Code Annotated Chapter 51 19, Sections 51 19 01 through 51 19 17 (1993) (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended and superseded.

a. Covenants not to compete during the term and upon termination or expiration of the Agreement are enforceable only under certain conditions according to North Dakota law, if the Agreement contains a covenant not to compete which is inconsistent with North Dakota law, the covenant may not be enforceable.

b. If the Agreement requires litigation to be conducted in a forum other than the State of North Dakota, the requirement is void relating to claims under the Act.

c. If the Agreement requires that it be governed by a state’s law, other than the State of North Dakota, North Dakota law will control.

d. If the Agreement requires payment of liquidated damages or a termination penalty, the requirement may be unenforceable under the Act.

e. If the Agreement requires the Franchisee to waive the Franchisee’s right to a jury trial, the requirement may be unenforceable under North Dakota law.

f. If the Agreement requires the Franchisee to waive the Franchisee’s right to make a claim for exemplary or punitive damages, the requirement may be unenforceable under North Dakota law.

g. If the franchisee is required in the Agreement to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Act, and such acknowledgements shall be void relating to claims under the Act.

h. If the Agreement requires the Franchisee to consent to a limitation of claims that is shorter than the statute of limitations under North Dakota law, the statute of limitations under North Dakota law applies.

i. If the Agreement stipulates that the Franchisee shall pay all costs and expenses incurred by the Franchisor in enforcing the Agreement, then the Agreement is hereby modified to read that the prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees.

2. Each provision of the Amendment shall be effective only to the extent that the jurisdictional requirements of North Dakota law, relating to each such provision, are met independent of this Agreement. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf or itself and its equity owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound by it. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE: \_\_\_\_\_

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

BLUE-GRACE FRANCHISE LLC

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

**AMENDMENT TO BLUE-GRACE FRANCHISE LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF RHODE ISLAND**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Blue-Grace Franchise LLC (“Franchisor”) dated \_\_\_\_\_, 20\_\_\_\_ (the “Agreement”), shall be amended and superseded by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

**RHODE ISLAND LAW MODIFICATIONS**

1. The Rhode Island Securities Division requires that certain provisions contained in the franchise documents offered or sold to either a resident of the State of Rhode Island or a non-resident who will be operating a franchise in the State of Rhode Island be amended to be consistent with Rhode Island law, including the Franchise Investment Act, R.I. Gen. Law. Ch 395 Sec. 19-28-1.1 – 19-28.1-34 (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended and superseded.

a. If the Agreement requires litigation to be conducted in a forum other than the State of Rhode Island, the requirement may be void under the Act.

b. If the Agreement requires that it be governed by a state’s law, other than the State of Rhode Island, to the extent that such law conflicts with the act it may be void under the Act.

c. If the Franchisee is required in the Agreement to execute a release of claims or acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act, such release shall exclude claims arising under the Act, and such acknowledgments shall be void relating to claims under the Act.

2. Each provision of the Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, relating to each such provision, are met independent of this Agreement. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. The Franchise Agreement is hereby amended to state that the Franchisor agrees to defer collection of all fees paid to the Franchisor by the Franchisee, including payments of goods and services received from the Franchisor before business opens until Franchisor the business is open and training is complete.

IN WITNESS WHEREOF, the Franchisee on behalf or itself and its equity owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound by it. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE: \_\_\_\_\_

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

BLUE-GRACE FRANCHISE LLC

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_



**AMENDMENT TO BLUE-GRACE FRANCHISE LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF SOUTH DAKOTA**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Blue-Grace Franchise LLC (“Franchisor”) dated \_\_\_\_\_, 20\_\_\_\_ (the “Agreement”), shall be amended and superseded by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

**SOUTH DAKOTA LAW MODIFICATIONS**

1. The State of South Dakota Securities Division requires that certain provisions contained in the franchise documents offered or sold to either a resident of the State of South Dakota or a non-resident who will be operating a franchise in the State of South Dakota be amended to be consistent with South Dakota law, including the South Dakota Franchise Investment Law, S.D. Codified Laws §§ 37-5B-1 through 37-5B-53 (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended and superseded.

a. Franchisor may not terminate the Agreement for a breach unless Franchisee received 30 days prior written notice from Franchisor and Franchisee is provided with an opportunity to cure the defaults.

b. Covenants not to compete upon termination or expiration of the Agreement are generally unenforceable in the State of South Dakota.

d. The laws of the State of South Dakota will govern matters pertaining to franchise registration, employment, covenants not to compete, and other matters of local concern; but as to contractual and all other matters, the Agreement will be subject to the application, construction, enforcement and interpretation of Florida law.

e. Any provision in the Agreement restricting jurisdiction or venue to a forum outside of the State of South Dakota or requiring the application of laws of another state is void with respect to a claim otherwise enforceable under the Act.

f. Any provision that provides that the parties waive their right to claim punitive, exemplary, incidental, indirect, special or consequential damages may not be enforceable under South Dakota law.

g. Franchise and Franchisee agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

2. Each provision of the Amendment shall be effective only to the extent that the jurisdictional requirements of the Act relating to each such provision are met independent of this

Agreement. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. To the extent of this Amendment is inconsistent with any terms or conditions of the Agreement or the Exhibits, the terms of this Amendment shall govern.

IN WITNESS WHEREOF, the Franchisee on behalf or itself and its equity owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound by it. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_.

FRANCHISEE: \_\_\_\_\_

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

BLUE-GRACE FRANCHISE LLC

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

**AMENDMENT TO BLUE-GRACE FRANCHISE LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF VIRGINIA**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Blue-Grace Franchise LLC (“Franchisor”) dated \_\_\_\_\_, 20\_\_\_\_ (the “Agreement”), shall be amended and superseded by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

1. The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the Franchisor until the Franchisor has completed its pre-opening obligations under the Franchise Agreement.

IN WITNESS WHEREOF, the Franchisee on behalf or itself and its equity owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound by it. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE: \_\_\_\_\_

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

BLUE-GRACE FRANCHISE LLC

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

**AMENDMENT TO BLUE-GRACE FRANCHISE LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF WASHINGTON**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Blue-Grace Franchise LLC (“Franchisor”) dated \_\_\_\_\_, 20\_\_\_\_ (the “Agreement”), shall be amended and superseded by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

WASHINGTON LAW MODIFICATIONS

1. The Director of the Washington Department of Financial Institutions requires that certain provisions contained in franchise documents offered or sold to either a resident of the State of Washington or a non-resident who will be operating a franchise in the State of Washington be amended to be consistent with Washington law, including the Washington Franchise Investment protection Act, WA Rev. Code §§19.100.010 to 19.100.940 (1991) (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended and suspended.

a. The Act provides rights to Franchisee concerning non-renewal and termination of the Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act will control. There may also be court decisions which may supersede the Agreement including the areas of termination and renewal of Franchisee’s franchise.

b. If the Franchisee is required in the Agreement to execute a release of claims, such release shall exclude claims arising under the Act; except when the release is executed under a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. If there are provisions in the Agreement that unreasonably restrict or limit the statute of limitations period for claims brought under the Act, or other rights or remedies under the Act, those provisions may be unenforceable.

c. If the Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of Washington, the requirement may be unenforceable under Washington law.

d. If the Agreement requires that it be governed by a state’s law, other than the State of Washington, and there is a conflict between the law and the Act, the Act will control.

e. If any of the provisions in this Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Washington Franchise Investment Protection Act will prevail over the inconsistent provisions of the Agreement with regard to any franchise sold in Washington.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Washington Law, applicable to the provision, are met

independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

3. The Franchise Agreement is hereby amended to state that the Franchisor agrees to defer collection of all fees paid to the Franchisor by the Franchisee, including payments of goods and services received from the Franchisor before business opens until Franchisor has satisfied all of its material pre-opening obligations to the Franchisee.

IN WITNESS WHEREOF, the Franchisee on behalf or itself and its equity owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound by it. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE: \_\_\_\_\_

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

BLUE-GRACE FRANCHISE LLC

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

**AMENDMENT TO BLUE-GRACE FRANCHISE LLC  
FRANCHISE AGREEMENT  
FOR THE STATE OF WISCONSIN**

The Franchise Agreement between \_\_\_\_\_ (“Franchisee”) and Blue-Grace Franchise LLC (“Franchisor”) dated \_\_\_\_\_, 20\_\_\_\_ (the “Agreement”), shall be amended and superseded by the addition of the following language, which shall be considered an integral part of the Agreement (the “Amendment”):

WISCONSIN LAW MODIFICATIONS

1. The Securities Commissioner of the State of Wisconsin requires that certain provisions contained in franchise documents for franchises offered or sold either a resident of the State of Wisconsin or a non-resident who will be operating a franchise in the State of Wisconsin Statutes, Chapter 135 (the “Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended and superseded:

a. The Act, among other things, grants Franchisee the right, in most circumstances, to 90 days’ prior written notice of non renewal and 60 days within which to remedy any claimed deficiencies. If the Agreement contains a provision that is inconsistent with the Act, the provisions of the Agreement shall be superseded by the Act’s requirements and shall have no force or effect.

b. If the Agreement requires that it be governed by a state’s law, other than the State of Wisconsin, to the extent that any provisions of the Agreement conflicts with the Act such provision shall be superseded by the Act’s requirements.

2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the Act, applicable to the provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

IN WITNESS WHEREOF, the Franchisee on behalf or itself and its equity owners acknowledges that it has read and understands the contents of this Amendment, that it has had the opportunity to obtain the advice of counsel, and that it intends to comply with this Amendment and be bound by it. The parties have duly executed and delivered this Amendment to the Agreement on \_\_\_\_\_, 20\_\_\_\_.

FRANCHISEE: \_\_\_\_\_

BLUE-GRACE FRANCHISE LLC

BY: \_\_\_\_\_

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

TITLE: \_\_\_\_\_

**EXHIBIT C**

**BLUE-GRACE FRANCHISE LLC**

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**EXHIBIT D**  
**BLUE-GRACE FRANCHISE LLC**  
**LIST OF FRANCHISEES**

We have listed below, alphabetical by state, the names of all franchisees, the number of franchises owned, and the addresses and telephone numbers as of December 31, 2013:

<b><u>Name of Franchise</u></b>	<b><u>Number of Franchises</u></b>
<b><u>California</u></b>	
Ms. Sharon L. McWilliams Just Ship It, Inc. 4419 Little Brook Court Fair Oaks, CA 95628 916-966-1772	1 franchise owned
Mr. Eric M. Rauterkus E & E Logistics Inc. 8755 Aero Drive, #320 San Diego, CA 92123 858-427-5093	1 franchise owned
Mr. Jeff Kelly AJ Logistics, Inc. 4317 Mammoth Ave. #6 Sherman Oaks, CA 91423 855-255-7447	1 franchise owned
<b><u>Florida</u></b>	
Mr. Jeffery Lavalley XLogistics, LLC 4495 Baymeadows Road, Suite 9 Jacksonville, FL 32217 904-379-8597	1 franchise owned
Mr. Pablo Gonzalez-Quevedo Protranz USA LLC 9655 S. Dixie Hwy., Suite 109 Miami, FL 33156 786-389-0275	1 franchise owned

Mr. Robert Vernon Bankston, III  
Premier Solutions Logistics LLC  
1612 Capital Circle NE, 2<sup>nd</sup> Floor  
Tallahassee, FL 32308  
850-562-3554

1 franchise owned

Jason & Mark Reed  
Reed Freight Management  
122 Linsley Ave  
Brandon, FL 33511  
813-217-4944

1 franchise owned

Antonio Alvarez  
Wellswood Logistics LLC  
1329 Mohrlake Dr  
Brandon, FL 33511  
813-943-2097

1 franchise owned

Nick Friedman & Omar Soliman  
CFFB, LLC  
1513 E 9<sup>th</sup> Ave  
Tampa, FL 33605  
208-306-1068

1 franchise owned

Georgia

Mr. Rigoberto Giron  
Azkarta Credit Corporation  
4097 Fort Sumter Landings NW  
Acworth, GA 30101  
770-877-1324

1 franchise owned

Mr. Dusty King  
Refined Shipping Solutions, LLC  
2256 Northlake Parkway Ste 302  
Tucker, GA 30084  
404-908-7590

1 franchise owned

Slade Casey  
Lamplighter Logistics, LLC  
399 Lamplighter Lane  
Marietta GA. 30067  
404-457-3577

1 franchise owned

Idaho

Dale Boone  
Intermountain Auto Recycling, Inc  
198 Yellowstone Hwy  
Rigby, ID 83442  
208-745-8766

1 franchise owned

Illinois

Randy Vlastic & Alex Veinot  
V & V Enterprises, LLC  
109 Fairfield Way Unit 201  
Bloomington, IL 60108  
630-592-4667

1 franchise owned

Indiana

Peter Foradas  
PJF Enterprises  
10475 Crosspoint Blvd  
Suite 250  
Indianapolis, IN 46256  
317-607-4924

1 franchise owned

Louisiana

Gerald Doumite  
DoumiteLogistics  
922 Cleveland Street  
Apt P  
Lake Charles, LA 70601  
225-337-2247

1 franchise owned

Massachusetts

Mr. John J. Coffey  
CS Logistics, Inc.  
444 Washington Street, Suite 407  
Woburn, MA 01801  
855-325-7447

1 franchise owned

Michigan

Mr. Steve Goodman  
Detroit Shipping and Logistics, Inc.  
1795 Birmingham Boulevard  
Birmingham, Michigan 48009  
248-320-0023

1 franchise owned

Minnesota

Mr. Chad A. Shero  
KuK Logistics SS, LLC  
750 2<sup>nd</sup> St NE, Suite 104  
Hopkins, MN 55343  
763-400-7392

1 franchise owned

Missouri

Adam Blankenship  
Improve Logistics  
5914 Alana Leigh Place  
Lithia, FL 33547  
913-944-2242

1 franchise owned

North Carolina

Mr. Tyler Caruso  
TJC Logistics, LLC  
5611 Highway 55, Suite 203  
Durham, NC 27713  
760-290-3528

2 franchises owned

Nebraska

Pete Marinkovich  
2003 Ridgewood Dr  
Papillion, NE 68133  
402-301-4858

1 franchise owned

New Jersey

Mr. Jason Eckhardt  
Wet Your Pallet LLC  
1101 N. Kings Hwy., Ste. 104  
Cherry Hill, NJ 08034  
856-330-4550

1 franchise owned

Mr. Gene Patrick O'Malley  
Modern Freight Managers LLC  
1713 Main St., Unit 201  
Lake Como, NJ 07719  
732-616-8414

1 franchise owned

Elliot Kohn & Monte Schwartz  
Charm Logistics LLC  
52 Forest Ave  
Paramus, NJ 07652  
917-519-4112

1 franchise owned

Teresa Truppi  
15 Perry Dr  
Bridgewater, NJ 08807  
908-458-5814

1 franchise owned

Dennis Schanstra & Anthony Franco  
Simple Freight Solutions  
7 Clinton Road  
Newfoundland, NJ 07435  
973-222-6963

1 franchise owned

New York

Lissa Mayberger  
CWIH New York Inc.  
8 Engineers Lane  
Farmingdale, NY 11735  
631-270-8989

1 franchise owned

Christie Abbott  
208 E 25<sup>th</sup> St Apt 54  
New York, NY 10010  
941-773-8836

1 franchise owned

Chris Kandel & Mike Welton  
Venture Logistics  
93 Hasgate Dr  
Delmar, NY 12054  
518-689-0500

1 franchise owned

Pennsylvania

Ms. Lisa Jordan  
1617 Church St.  
Ambridge, PA 15003  
412-969-7856

1 franchise owned

South Carolina

Mr. William Demet  
ERO Logistics, Inc.  
24 Riverside Drive  
Greenville, SC 29605  
864-979-2275

1 franchise owned

Mr. Joseph Lavalley  
BlueGrace ATL, Inc.  
110 Laurens Road  
Greenville, SC 29607  
864-552-0083

1 franchise owned

Tennessee

Mr. Mike Mulliniks  
MB Logistics, Inc.  
133 Holiday Court, Suite 206  
Franklin, TN 37067  
615-599-0598

1 franchise owned

Texas

Mr. Dean McNeely  
LTL Freight Center LLC  
2923 Wroxton Road  
Houston, Texas 77005  
281-400-1800

2 franchises owned

Vicente Cardenas  
Coordinadora Inc.  
14602 Archer Dr  
Laredo, TX 78045  
956-237-2297

1 franchise owned

Antonio Villarreal  
Xenergy Logistics LLC  
4403 W Military Hwy Suite 100  
McAllen TX 78503  
956-227-5713

1 franchise owned

Michael Bartholomew  
Bartholomew & Partners LLC  
810 Lake Carolyn Parkway #227  
Irving, TX 75039  
262-893-4006

1 franchise owned

Chris Lee  
CEL Unlimited  
8718 Autumn Oaks Dr  
Dallas, TX 75243  
469-656-7646

1 franchise owned

Craig Johnson  
Euthus Inc  
409 Crown of Gold Drive  
Lewisville, TX 75056  
469-401-7399

1 franchise owned

Virginia

Mr. Timothy K. Salavejus  
Psalms 40 Enterprises, L.L.C  
3302 Craggy Oak Ct., Suite 103  
Williamsburg, VA 23188  
866-477-2108

1 franchise owned

Washington

Mr. David McMasters  
MACLogisticsNW, LLC  
15813 93<sup>rd</sup> Ave E  
Puyallup, WA 98375  
253-691-9377

1 franchise owned

**EXHIBIT E**  
**BLUE-GRACE FRANCHISE LLC**  
**FINANCIAL STATEMENTS**



**BLUE-GRACE FRANCHISE LLC**  
(A WHOLLY OWNED SUBSIDIARY OF BLUE-GRACE GROUP LLC)

**FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2013 AND 2012 AND FOR THE  
YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011**

**BLUE-GRACE FRANCHISE LLC  
(A WHOLLY OWNED SUBSIDIARY OF BLUE-GRACE GROUP LLC)  
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AS OF DECEMBER 31, 2013 AND 2012 AND  
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Member  
Blue-Grace Franchise LLC (A Wholly Owned  
Subsidiary of Blue-Grace Group LLC)  
Riverview, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Blue-Grace Franchise LLC (a wholly owned subsidiary of Blue-Grace Group LLC), the "Company," which comprise the balance sheets as of December 31, 2013 and 2012 and the related statements of operations, member's equity, and cash flows for the years ended December 31, 2013, 2012, and 2011, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 the Company as of December 31, 2013 and 2012, and the results of its operations and its cash flow for the years ended December 31, 2013, 2012, and 2011, in conformity with accounting principles generally accepted in the United States of America.

*Warren Averett, LLC*

Tampa, Florida  
March 17, 2014

**BLUE-GRACE FRANCHISE LLC  
(A WHOLLY OWNED SUBSIDIARY OF BLUE-GRACE GROUP LLC)  
BALANCE SHEETS  
DECEMBER 31, 2013 AND 2012**

<b>ASSETS</b>		
	<b>2013</b>	<b>2012</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 57,362	\$ 117,409
Accounts receivable	2,500,790	1,762,738
Current portion of notes receivable	71,750	43,130
Other	8,619	6,915
Total current assets	2,638,521	1,930,192
<b>PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION</b>	440	660
<b>NOTES RECEIVABLE, LESS CURRENT PORTION</b>	12,750	11,000
	<b>\$ 2,651,711</b>	<b>\$ 1,941,852</b>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
	<b>2013</b>	<b>2012</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 13,248	\$ 10,328
Accounts payable, related parties	440,231	1,115,522
Unearned franchisee fees	47,500	
Total current liabilities	500,979	1,125,850
<b>MEMBER'S EQUITY</b>	2,150,732	816,002
	<b>\$ 2,651,711</b>	<b>\$ 1,941,852</b>

See notes to the financial statements.

**BLUE-GRACE FRANCHISE LLC**  
**(A WHOLLY OWNED SUBSIDIARY OF BLUE-GRACE GROUP LLC)**  
**STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>			
Shipping fees	\$ 560,783	\$ 438,607	\$ 63,425
Royalty fees	1,517,587	977,296	176,852
Franchise origination fees	601,075	248,225	-
Other income	26,493	21,307	3,677
Total revenues	<u>2,705,938</u>	<u>1,685,435</u>	<u>243,954</u>
<b>COSTS AND EXPENSES</b>			
Management fees, related party	1,062,125	760,136	150,745
Operating costs and expenses	309,083	180,260	96,854
Total costs and expenses	<u>1,371,208</u>	<u>940,396</u>	<u>247,599</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 1,334,730</u>	<u>\$ 745,039</u>	<u>\$ (3,645)</u>

See notes to the financial statements.

**BLUE-GRACE FRANCHISE LLC  
(A WHOLLY OWNED SUBSIDIARY OF BLUE-GRACE GROUP LLC)  
STATEMENTS OF MEMBER'S EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011**

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<b>BALANCE AT DECEMBER 31, 2010</b>	\$ 72,108
Member capital contributions	2,500
Net loss	<u>(3,645)</u>
<b>BALANCE AT DECEMBER 31, 2011</b>	70,963
Net income	<u>745,039</u>
<b>BALANCE AT DECEMBER 31, 2012</b>	816,002
Net income	<u>1,334,730</u>
<b>BALANCE AT DECEMBER 31, 2013</b>	<u><u>\$ 2,150,732</u></u>

See notes to the financial statements.

**BLUE-GRACE FRANCHISE LLC**  
**(A WHOLLY OWNED SUBSIDIARY OF BLUE-GRACE GROUP LLC)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011**

	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (loss)	\$ 1,334,730	\$ 745,039	\$ (3,645)
Adjustments to reconcile net income (loss) to net cash (used) provided by operating activities:			
Depreciation	220	220	220
Increase in:			
Accounts receivable	(738,052)	(1,134,527)	(628,211)
Other current assets	(1,704)	(6,815)	(100)
Increase (decrease) in:			
Accounts payable	2,920	8,628	1,700
Accounts payable, related parties	(675,291)	312,721	802,801
Unearned franchise fees	47,500	(30,000)	30,000
Total adjustments	<u>(1,364,407)</u>	<u>(849,773)</u>	<u>206,410</u>
Net cash (used) provided by operating activities	<u>(29,677)</u>	<u>(104,734)</u>	<u>202,765</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Borrowings provided on notes receivable	(135,000)	(67,202)	
Payments received on notes receivable	104,630	13,072	
Acquisition of property and equipment			(1,100)
Net cash used by investing activities	<u>(30,370)</u>	<u>(54,130)</u>	<u>(1,100)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Member capital contributions			2,500
<b>NET CHANGE IN CASH</b>	(60,047)	(158,864)	204,165
<b>CASH AT BEGINNING OF YEAR</b>	<u>117,409</u>	<u>276,273</u>	<u>72,108</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 57,362</u></u>	<u><u>\$ 117,409</u></u>	<u><u>\$ 276,273</u></u>

See notes to the financial statements.



**BLUE-GRACE FRANCHISE LLC  
(A WHOLLY OWNED SUBSIDIARY OF BLUE-GRACE GROUP LLC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2013 AND 2012 AND  
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS**

**Description of Business**

Blue-Grace Franchise LLC (the "Company") was organized as a limited liability company on October 7, 2009 under the laws of the State of Florida. In 2011, the Company's original members transferred 100 percent of their membership interest in the Company to Blue-Grace Group LLC, resulting in the Company becoming a wholly owned subsidiary of Blue-Grace Group LLC.

The Company grants franchises that provide access to proprietary software and training, which allows the franchisee to offer freight services to customers, including freight services relating to less-than-truckload shipments, full truckload shipments, expedited shipments, air and ocean freight, as well as various specialized freight services. During the years ended December 31, 2013, 2012, and 2011, the Company sold 19, 19, and 11 franchises, respectively. The Company has 48, 30, and 10 franchises in operation at December 31, 2013, 2012, and 2011, respectively. As of December 31, 2013, 2012, and 2011, the number of company-owned franchises were 1, 0, and 0, respectively. The Company's corporate headquarters is located in Riverview, Florida.

**Basis of Accounting**

The financial statements of the Company are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Use of Management Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Cash**

Cash is maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances. All of the Company's non-interest bearing cash balances were fully insured at December 31, 2012 due to a temporary federal program in effect through December 31, 2012. Under the program, there was no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage reverted back to \$250,000 per depositor at each financial institution. As of December 31, 2013 and 2012, there were no deposits in excess of federally insured limits.

**Accounts and Notes Receivable**

Accounts and notes receivable consist primarily of receivables due from the franchisees for royalty fees, shipping fees, franchise fees, and carrier costs.

**BLUE-GRACE FRANCHISE LLC  
(A WHOLLY OWNED SUBSIDIARY OF BLUE-GRACE GROUP LLC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2013 AND 2012 AND  
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS – CONTINUED**

The Company records an allowance for doubtful accounts to allow for any amounts that may not be recoverable, which is based on analysis of the Company's prior collection experience, customer creditworthiness, and current economic trends. Based on management's review of accounts and notes receivable, an allowance for doubtful accounts is not considered necessary at December 31, 2013 and 2012. Interest is not typically charged on past due receivables. The Company determines receivables to be past due based on the payment terms of original invoices.

**Property and Equipment**

Property and equipment are recorded at cost. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

**Revenues**

Revenue earned from initial franchise fees are deferred until the franchise is open and operational, which is the time at which the Company has performed substantially all of the initial services it is required to provide. These fees are recorded as franchise origination fee revenue in the accompanying financial statements.

The Company earns royalty fees from its franchisees based on a percentage of the franchisee's gross margin on the sale of freight services. Royalty fees are recorded as revenue when shipments sold by the franchisee are delivered.

Revenues from shipping charges represent fees charged to franchisees for each freight and parcel shipment booked by the franchisee through Blue-Grace Logistics LLC. Shipping fees are recognized as income upon delivery of the franchisee's shipments. Also, as disclosed in the Note 4, the Company pays for freight and parcel services provided on behalf of the franchisees without fee or additional charge. No revenue or expense is recorded for these payments as the Company is acting as an agent for these transactions.

**Advertising Costs**

The Company expenses advertising costs as incurred. Advertising expense was approximately \$129,000, \$73,000, and \$75,000 for the years ended December 31, 2013, 2012, and 2011, respectively.

**BLUE-GRACE FRANCHISE LLC  
(A WHOLLY OWNED SUBSIDIARY OF BLUE-GRACE GROUP LLC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2013 AND 2012 AND  
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS – CONTINUED**

**Income Taxes**

The Company is single-member limited liability company treated as a disregarded entity for income tax purposes under Internal Revenue Code Regulation Section 301.7701-3. As a result, the Company's member is personally taxed on his distributive share of the Company's income, whether or not that income is actually distributed. Therefore, these financial statements do not include any provision for income taxes for the years ended December 31, 2013, 2012, and 2011.

The Company follows Accounting Standards Codification Topic 740, "Income Taxes." This standard prescribes a recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Based on management's evaluation, this standard does not have an effect on the Company's financial position at December 31, 2013 and 2012 or its results of operations for the years ended December 31, 2013, 2012, and 2011. The Company's tax returns for 2010 through 2012 remain subject to examination by taxing authorities.

**Reclassifications**

Certain minor reclassifications have been made to the 2011 and 2012 financial statements to conform to the classifications used in 2013.

**Subsequent Events**

Management has evaluated subsequent events through March 17, 2014, the date on which the financial statements were available to be issued.

**2. PROPERTY AND EQUIPMENT**

Property and equipment consist of:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 1,100	\$ 1,100
Less accumulated depreciation	660	440
	<u>\$ 440</u>	<u>\$ 660</u>

**BLUE-GRACE FRANCHISE LLC  
(A WHOLLY OWNED SUBSIDIARY OF BLUE-GRACE GROUP LLC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2013 AND 2012 AND  
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011**

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**3. NOTES RECEIVABLE**

Notes receivable consist of:

	<u>2013</u>	<u>2012</u>
Note receivable with monthly payments of \$1,000 through November 26, 2014; non-interest bearing; unsecured	\$ 12,000	\$ 23,000
Note receivable with monthly payments of \$3,185, including interest at 5.0% through October 1, 2013; unsecured		31,130
Note receivable with monthly payments of \$600 over 25 months through September 17, 2017; non-interest bearing; unsecured	15,000	
Note receivable with monthly payments of \$5,000 through April 21, 2014; non-interest bearing; unsecured	20,000	
Note receivable with monthly payments beginning April 2014 through April 2015; non-interest bearing; unsecured	<u>37,500</u>	
	84,500	54,130
Less amounts currently due	<u>71,750</u>	<u>43,130</u>
	<u>\$ 12,750</u>	<u>\$ 11,000</u>

**4. RELATED PARTY TRANSACTIONS**

In June 2011, the Company entered into an intercompany services agreement with Blue-Grace Logistics LLC (“Logistics”), a company related through common ownership, in which Logistics provides services to the Company for the brokering of freight shipping services and corresponding carrier rate negotiation and payment for the benefit of the franchisees; employee hiring and administration of payroll; and general and administrative expenses. During the years ended December 31, 2013, 2012, and 2011, the Company paid approximately \$27,715,000, \$19,162,000, and \$3,000,000, respectively, to Logistics for the brokering of freight shipping services and corresponding carrier rate negotiation and payment, which is reflected as an offset to revenue in the statements of operations as these payments were made on behalf of the franchisees. In exchange for the general and administrative services provided by Logistics, including employee hiring and the administration of payroll, the Company incurs a management fee totaling 50 percent of the Company’s gross profit, which is adjusted as deemed reasonably necessary by Logistics for additional attendant operating expenses. Management fees incurred amounted to approximately \$1,062,000, \$760,000, and \$151,000 for the years ended December 31, 2013, 2012, and 2011, respectively. This agreement expires on May 31, 2016.

**BLUE-GRACE FRANCHISE LLC  
(A WHOLLY OWNED SUBSIDIARY OF BLUE-GRACE GROUP LLC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2013 AND 2012 AND  
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011**

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**4. RELATED PARTY TRANSACTIONS – CONTINUED**

The Company also entered into an agreement during 2011 with Blue-Grace Systems LLC (“Systems”), a company related through common ownership, in which Systems provides services to the Company’s franchisees for freight transportation and shipping back end management services. During the years ended December 31, 2013, 2012, and 2011, the Company paid approximately \$41,000, \$23,000, and \$13,000, respectively, to Systems for the services provided for the benefit of the franchisees, which is recorded as an offset to revenue in the statements of operations.

During 2013, the Company’s parent, Blue-Grace Group, LLC, opened a company-owned franchise through its wholly owned subsidiary, Blue Grace Ventures, LLC, a company related through common ownership, opened a franchise. Revenues from this entity amounted to approximately \$36,000.

Accounts payable, related parties of approximately \$440,000 and \$1,116,000 at December 31, 2013 and 2012, respectively, consist of amounts due to Logistics and Systems for the services provided in accordance with the agreements discussed above. These amounts are non-interest bearing, due on demand, and unsecured.

Accounts receivable, related parties of approximately \$8,000 are from the operations of the related franchise.

The Company has a trademark license agreement and a software sublicense agreement with two entities related through common ownership. These arrangements renew automatically on an annual basis. In exchange for the licenses received, the Company incurs \$200 a year in fees. License fees for the years ended December 31, 2013, 2012, and 2011 totaled \$200 for each year and are included in operating costs and expenses in the accompanying statements of operations.

The amounts and terms reflected in the above transactions are not necessarily indicative of the amounts and terms that would have been incurred had comparable transactions taken place with independent parties.

**5. CONCENTRATIONS**

For the years ended December 31, 2013, 2012, and 2011, revenues earned from one, one, and four franchisees, respectively, amounted to approximately \$210,000, \$168,000, and \$179,000, or 10, 11, and 73 percent of total revenue, respectively. Accounts receivable from these franchisees amounted to approximately \$183,000, \$225,000, and \$355,000, or 7, 13, and 56 percent of total receivables at December 31, 2013, 2012, and 2011, respectively.

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

To the Member  
Blue-Grace Franchise LLC (A Wholly Owned  
Subsidiary of Blue-Grace Group, LLC)  
Riverview, Florida

We have audited the financial statements of Blue-Grace Franchise LLC (a wholly owned subsidiary of Blue-Grace Group LLC), the "Company," as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012, and 2011, and our report thereon dated March 17, 2014, which expressed an unmodified opinion on those financial statements, appears on Page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of related party transacted purchases and costs, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Warren Averett, LLC*

Tampa, Florida  
March 17, 2014

**BLUE-GRACE FRANCHISE LLC**  
**(A WHOLLY OWNED SUBSIDIARY OF BLUE-GRACE GROUP LLC)**  
**SCHEDULES OF RELATED PARTY TRANSACTED PURCHASES AND COSTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, AND 2011**  
**(UNAUDITED)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>GROSS PURCHASES FROM RELATED PARTIES TRANSACTIONED BY COMPANY</b>			
Freight desk royalties	\$ 41,032	\$ 22,631	\$ 12,615
Franchise shipments	<u>27,715,374</u>	<u>19,161,886</u>	<u>3,027,893</u>
	27,756,406	19,184,517	3,040,508
<b>FRANCHISE SHIPMENT CREDITS</b>	<u>(368,303)</u>	<u>(199,645)</u>	<u>(5,971)</u>
<b>NET PURCHASES FROM RELATED PARTIES</b>	<u><u>\$ 27,388,103</u></u>	<u><u>\$ 18,984,872</u></u>	<u><u>\$ 3,034,537</u></u>
<b>GROSS COST OF PURCHASES FROM RELATED PARTIES OF COMPANY</b>			
Freight desk royalties	\$ 41,032	\$ 22,631	\$ 12,615
Franchise shipments	<u>27,715,374</u>	<u>19,161,886</u>	<u>3,027,893</u>
	27,756,406	19,184,517	3,040,508
<b>FRANCHISE SHIPMENT COSTS</b>	<u>(368,303)</u>	<u>(199,645)</u>	<u>(5,971)</u>
<b>NET COST OF PURCHASES FROM RELATED PARTIES</b>	<u><u>\$ 27,388,103</u></u>	<u><u>\$ 18,984,872</u></u>	<u><u>\$ 3,034,537</u></u>

See auditors' report on supplementary information.

***Financial Statements***

***Blue-Grace Franchise LLC***  
***(A Wholly Owned Subsidiary of Blue-Grace Group LLC)***

*Years Ended December 31, 2012 and 2011*  
*Independent Auditors' Report*



**Blue-Grace Franchise LLC**  
(A Wholly Owned Subsidiary of Blue-Grace Group LLC)

**Financial Statements**

Years Ended December 31, 2012 and 2011

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## Independent Auditors' Report

To the Member  
Blue-Grace Franchise LLC (A Wholly Owned  
Subsidiary of Blue-Grace Group LLC)  
Riverview, Florida

We have audited the accompanying financial statements of Blue-Grace Franchise LLC (a wholly owned subsidiary of Blue-Grace Group LLC), the "Company," which comprise the balance sheets as of December 31, 2012 and 2011 and the related statements of operations, changes in member'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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Blue-Grace Franchise LLC as of December 31, 2012 and 2011 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Warren Averett, LLC*

Warren Averett, LLC  
Tampa, Florida  
March 13, 2013

**Blue-Grace Franchise LLC**  
(A Wholly Owned Subsidiary of Blue-Grace Group LLC)

**Balance Sheets**

	December 31,	
	2012	2011
<b>Assets</b>		
Current assets:		
Cash	\$ 117,409	\$ 276,273
Accounts receivable	1,762,738	628,211
Current portion of notes receivable	43,130	
Other	6,915	100
Total current assets	1,930,192	904,584
Property and equipment, net of accumulated depreciation	660	880
Notes receivable, less current portion	11,000	
	\$ 1,941,852	\$ 905,464
 <b>Liabilities and Member's Equity</b>		
Current liabilities:		
Accounts payable	\$ 10,328	\$ 1,700
Accounts payable, related parties	1,115,522	802,801
Unearned franchisee fees		30,000
Total current liabilities	1,125,850	834,501
Member's equity	816,002	70,963
	\$ 1,941,852	\$ 905,464

*The accompanying notes are an integral part of the financial statements.*

Blue-Grace Franchise LLC  
(A Wholly Owned Subsidiary of Blue-Grace Group LLC)

Statements of Operations

	Year Ended December 31,	
	2012	2011
Revenues:		
Shipping fees	\$ 438,607	\$ 63,425
Royalty fees	977,296	176,852
Franchise origination fees	248,225	
Other income	21,307	3,677
	<u>1,685,435</u>	<u>243,954</u>
Costs and expenses:		
Management fees, related party	760,136	150,745
Operating costs and expenses	180,260	96,854
	<u>940,396</u>	<u>247,599</u>
Net income (loss)	<u>\$ 745,039</u>	<u>\$ (3,645)</u>

Blue-Grace Franchise LLC  
(A Wholly Owned Subsidiary of Blue-Grace Group LLC)

Statements of Changes in Member's Equity

Years Ended December 31, 2012 and 2011

Balance, December 31, 2010	\$ 72,108
Member capital contributions	2,500
Net loss	<u>(3,645)</u>
Balance, December 31, 2011	70,963
Net income	<u>745,039</u>
Balance, December 31, 2012	<u><u>\$ 816,002</u></u>

*The accompanying notes are an integral part of the financial statements.*

**Blue-Grace Franchise LLC**  
(A Wholly Owned Subsidiary of Blue-Grace Group LLC)

**Statements of Cash Flows**

	Year Ended December 31,	
	2012	2011
<b>Operating activities</b>		
Net income (loss)	\$ 745,039	\$ (3,645)
Adjustments to reconcile net income (loss) to net cash (used) provided by operating activities:		
Depreciation	220	220
Increase in:		
Accounts receivable	(1,134,527)	(628,211)
Other current assets	(6,815)	(100)
Increase (decrease) in:		
Accounts payable	8,628	1,700
Accounts payable, related parties	312,721	802,801
Deferred revenue	(30,000)	30,000
Total adjustments	(849,773)	206,410
Net cash (used) provided by operating activities	(104,734)	202,765
<b>Investing activities</b>		
Borrowings provided on notes receivable	(67,202)	
Payments received on notes receivable	13,072	
Acquisition of property and equipment		(1,100)
Net cash used by investing activities	(54,130)	(1,100)
<b>Financing activities</b>		
Member capital contributions		2,500
<b>Net change in cash</b>	(158,864)	204,165
<b>Cash at beginning of year</b>	276,273	72,108
<b>Cash at end of year</b>	\$ 117,409	\$ 276,273

**Blue-Grace Franchise LLC**  
(A Wholly Owned Subsidiary of Blue-Grace Group LLC)

**Financial Statements**

Years Ended December 31, 2012 and 2011

**1. Background Information**

Blue-Grace Franchise LLC (the "Company") was organized as a limited liability company on October 7, 2009 under the laws of the State of Florida. In 2011, the Company's original members transferred 100 percent of their membership interest in the Company to Blue-Grace Group LLC, resulting in the Company becoming a wholly owned subsidiary of Blue-Grace Group LLC.

The Company grants franchises that provide access to proprietary software and training, which allows the franchisee to offer freight services to customers, including freight services relating to less-than-truckload shipments, full truckload shipments, expedited shipments, air and ocean freight, as well as various specialized freight services. During the years ended December 31, 2012 and 2011, the Company sold 13 and 12 franchises, respectively. The Company has 26 and 13 franchises in operation at December 31, 2012 and 2011, respectively. The Company's corporate headquarters is located in Riverview, Florida.

**2. Significant Accounting Policies**

The significant accounting policies followed include:

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

Cash is maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances. All of the Company's non-interest bearing cash balances were fully insured at December 31, 2012 and 2011 due to a temporary federal program in effect through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the Company's non-interest bearing cash balances may again exceed federally insured limits. As of December 31, 2012 and 2011, there were no amounts held in interest bearing accounts.

Accounts and notes receivable consist primarily of receivables due from the franchisees for royalty fees, shipping fees, franchise fees, and carrier costs.

Blue-Grace Franchise LLC  
(A Wholly Owned Subsidiary of Blue-Grace Group LLC)

Financial Statements

Years Ended December 31, 2012 and 2011

**2. Significant Accounting Policies (continued)**

The Company records an allowance for doubtful accounts to allow for any amounts that may not be recoverable, which is based on analysis of the Company's prior collection experience, customer credit worthiness, and current economic trends. Based on management's review of accounts and notes receivable, an allowance for doubtful accounts is not considered necessary at December 31, 2012 and 2011. Interest is not typically charged on past due receivables. The Company determines receivables to be past due based on the payment terms of original invoices.

Property and equipment are recorded at cost. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Revenue earned from initial franchise fees are deferred until the franchise is open and operational, which is the time at which the Company has performed substantially all of the initial services it is required to provide. These fees are recorded as franchise fee revenue in the accompanying financial statements.

The Company earns royalty fees from its franchisees based on a percentage of the franchisee's gross margin on the sale of freight services. Royalty fees are recorded as revenue when shipments sold by the franchisee are delivered.

Revenues from shipping charges represent fees charged to franchisees per each freight and parcel shipment booked by the franchisee through Blue-Grace<sup>®</sup> Logistics<sup>®</sup> system. Shipping fees are recognized as income upon delivery of the franchisee's shipments. Also, as disclosed in the Note 5, the Company pays for freight and parcel services provided on behalf of the franchisees without fee or additional charge. No revenue or expense is recorded for these payments as the Company is acting as an agent for these transactions.

The Company expenses advertising costs as incurred. Advertising expense was approximately \$73,000 and \$75,000 for the years ended December 31, 2012 and 2011, respectively.



Blue-Grace Franchise LLC  
(A Wholly Owned Subsidiary of Blue-Grace Group LLC)

Financial Statements

Years Ended December 31, 2012 and 2011

**2. Significant Accounting Policies (continued)**

The Company is single-member limited liability company treated as a disregarded entity for income tax purposes under Internal Revenue Code Regulation Section 301.7701-3. As a result, the Company's member is personally taxed on its distributive share of the Company's income, whether or not that income is actually distributed. Therefore, these financial statements do not include any provision for income taxes for the years ended December 31, 2012 and 2011, respectively.

The Company follows Accounting Standards Codification Topic 740, "Income Taxes." This standard prescribes a recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Based on management's evaluation, this standard does not have an effect on the Company's financial position at December 31, 2012 and 2011 or its results of operations for the years then ended. The Company's tax returns for 2009 through 2011 remain subject to examination by taxing authorities.

Certain minor reclassifications were made to the 2011 financial statements in order to conform with the classifications made in 2012.

Management has evaluated subsequent events through March 13, 2013, the date at which the financial statements were available to be issued.

**3. Property and Equipment**

Property and equipment consist of:

	<u>2012</u>	<u>2011</u>
Furniture and equipment	\$ 1,100	\$ 1,100
Less accumulated depreciation	440	220
	<u>\$ 660</u>	<u>\$ 880</u>

Blue-Grace Franchise LLC  
(A Wholly Owned Subsidiary of Blue-Grace Group LLC)

Financial Statements

Years Ended December 31, 2012 and 2011

**4. Notes Receivable**

Notes receivable at December 31, 2012 consist of:

Note receivable; monthly payments of \$3,185 including interest of 5.0% through October 1, 2013; unsecured	\$ 31,130
Note receivable; monthly payments of \$1,000 through November 26, 2014; non-interest bearing; unsecured	<u>23,000</u>
	54,130
Less amounts currently due	<u>(43,130)</u>
	<u>\$ 11,000</u>

There were no notes receivable at December 31, 2011.

**5. Related Party Transactions**

In June 2011, the Company entered into an intercompany services agreement with Blue-Grace Logistics LLC (“Logistics”), a company related through common ownership, in which Logistics provides services to the Company for the brokering of freight shipping services and corresponding carrier rate negotiation and payment for the benefit of the franchisees; employee hiring and administration of payroll; and general and administrative expenses. During the years ended December 31, 2012 and 2011, respectively, the Company paid approximately \$19,162,000 and \$3,000,000 to Logistics for the brokering of freight shipping services and corresponding carrier rate negotiation and payment, which is reflected as an offset to revenue in the statements of operations as these payments were made on behalf of the franchisees. In exchange for the general and administrative services provided by Logistics, including employee hiring and the administration of payroll, the Company incurs a management fee totaling 50 percent of the Company’s gross profit, which is adjusted as deemed reasonably necessary by Logistics for additional attendant operating expenses. Management fees incurred amounted to approximately \$760,000 and \$151,000 for the years ended December 31, 2012 and 2011, respectively. This agreement expires on May 31, 2016.

The Company also entered into an agreement during 2011 with Blue-Grace Systems LLC (“Systems”), a company related through common ownership, in which Systems provides services to the Company’s franchisees for freight transportation and shipping back end management services. During the years ended December 31, 2012 and 2011, the Company paid approximately \$23,000 and \$13,000 to Systems for the services provided for the benefit of the franchisees, respectively, which is recorded as an offset to revenue in the statements of operations.

**Blue-Grace Franchise LLC**  
(A Wholly Owned Subsidiary of Blue-Grace Group LLC)

**Financial Statements**

Years Ended December 31, 2012 and 2011

**5. Related Party Transactions (continued)**

Accounts payable, related parties of approximately \$1,116,000 and \$803,000 at December 31, 2012 and 2011, respectively, consist of amounts due to Logistics and Systems for the services provided in accordance with the agreements discussed above. These amounts are non-interest bearing, due on demand and unsecured.

During October 2010, the Company entered into a trademark license agreement and a software sublicense agreement with two entities related through common ownership. These arrangements renew automatically on an annual basis. In exchange for the licenses received, the Company incurs \$200 a year in fees. License fees for the years ended December 31, 2012 and 2011 totaled \$200 and are included in operating costs and expenses in the accompanying statement of operations.

The amounts and terms reflected in the above transactions are not necessarily indicative of the amounts and terms that would have been incurred had comparable transactions taken place with independent parties.

**6. Concentrations**

For the years ended December 31, 2012 and 2011, revenues earned from one and four franchisees, respectively, amounted to approximately \$168,000 and \$179,000, or 11 and 73 percent of total revenue, respectively. Accounts receivable from these franchisees amounted to approximately \$225,000 and \$355,000, or 13 and 56 percent of total receivables at December 31, 2012 and 2011, respectively.

## Consent of Independent Accountants

We hereby consent to the use in the Franchise Disclosure Document issued by Blue-Grace Franchise LLC on March 24, 2014, as it may be amended, of our audited financial statements of Blue-Grace Franchise LLC as of December 31, 2013, 2012 and 2011 and for the years ended December 31, 2013, 2012, and 2011, which appear in such Franchise Disclosure Document.

*Warren Averett, LLC*

Warren Averett, LLC  
Tampa, Florida  
March 24, 2014

**EXHIBIT F**

**BLUE-GRACE FRANCHISE LLC**

**STATE ADDENDA**

**ADDENDUM TO BLUE-GRACE FRANCHISE LLC  
DISCLOSURE DOCUMENT  
FOR THE STATE OF CALIFORNIA**

The disclosure document is amended to include the following:

1. Item 3 is amended to reflect that:

Neither Blue-Grace Franchise LLC nor any person identified in Item 2 of the Offering Circular is subject to any current effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

2. Item 17 is amended by the addition of the following language:

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

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

The Franchise Agreement contains covenants not to compete which extend beyond expiration or termination of the Agreement. These provisions may not be enforceable under California law.

The California Corporations Code, Section 31125 requires Blue-Grace Franchise LLC to give you a disclosure document, approved by the Department of Corporations, prior to a solicitation of a proposed material modification of an existing franchise.

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

The Franchise Agreement requires the application of the laws of Florida. This provision may be unenforceable under California Law.

You must sign a general release if you renew or transfer your franchise. California Corporations Code Sec. 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). California Business and Professions Code Sec. 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

3. 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.

4. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.dbo.ca.gov](http://www.dbo.ca.gov).

**ADDENDUM TO BLUE-GRACE FRANCHISE LLC  
DISCLOSURE DOCUMENT  
FOR THE STATE OF HAWAII**

The disclosure document is amended to include the following:

These franchises will be or have been filed under the Hawaii Franchise Investment Law of the state of Hawaii. Filing does not constitute approval, recommendation or endorsement by the director of commerce and consumer affairs or a finding by the director of commerce and consumer affairs that the information provided herein is true, complete and not misleading.

The Hawaii Franchise Investment Law makes it unlawful to offer or sell any franchise in this state without first providing to the prospective franchisee, or subfranchisor, at least seven days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least seven days prior to the payment of any consideration by the franchisee, or subfranchisor, whichever occurs first, a copy of the disclosure document, together with a copy of all proposed agreements relating to the sale of the franchise.

This disclosure document contains a summary only of certain material provisions of the franchise agreement. The contracts or agreements should be referred to for a statement of all rights, conditions, restrictions and obligations of both the franchisor and the franchisee.

If the Franchise Agreement contains provisions requiring a release as a condition of renewal and transfer of the franchise, such release will exclude claims arising under the Hawaii Franchise Investment Law.

The sections in the Franchise Agreement that relate to non-renewal, termination, and transfer are only applicable if they are not inconsistent with the Hawaii Franchise Investment Law. Otherwise, the Hawaii Franchise Investment Law will control.

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



**ADDENDUM TO BLUE-GRACE FRANCHISE LLC  
DISCLOSURE DOCUMENT  
FOR THE STATE OF ILLINOIS**

The disclosure document is amended to include the following:

Paragraph 705/5(2) of the Act requires that we provide you a copy of our disclosure document at least 14 days prior to your signing any binding franchise agreement or other agreement or paying us any consideration.

Item 17 of this disclosure document is amended by adding the following:

In accordance with Illinois law 815 ILCS 705/4, any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside Illinois is void with respect to any action which is otherwise enforceable in Illinois. In addition, Illinois law will govern the Franchise Agreement.

Rule Section 200.608 of the Act provides that:

“As described in Section 4 of the Act, a franchise agreement shall not require a franchisee to litigate any cause of action, with the exception of arbitration proceedings, arising under the franchise agreement or the Act outside of this state, nor shall a franchisee agreement provide for a choice of law provision for any state other than Illinois.”

The following should be added to Item 17 of this disclosure document:

The conditions under which we may terminate the Franchise Agreement may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

The following should be added to of Item 17 of this disclosure document:

Your rights upon non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

Item 23 is amended to add the following language:

For Illinois franchisees, there is an additional requirement regarding the time for delivery of this disclosure document. If we offer you a franchise, we must provide this disclosure document to you at least 14 days prior to your signing any binding franchise agreement or any other agreement or paying us any consideration.

In accordance with Illinois law 815 ILCS 705/41, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of the State of Illinois is void. This shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Act,

nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

**ADDENDUM TO BLUE-GRACE FRANCHISE LLC  
DISCLOSURE DOCUMENT  
FOR THE STATE OF INDIANA**

The disclosure document is amended to include the following:

Item 17 of the disclosure document is amended by inserting the following provision:

Notwithstanding any other provision in this document, any release executed in connection with the Franchise Agreement, whether upon renewal or transfer, will not apply to any claims that may arise under the Franchise Disclosure Law and the Indiana Deceptive Practices Act.

The post termination covenant not to compete of the Disclosure document shall not apply to a franchisee's activities outside the Territory.

Indiana law makes unilateral termination of a franchise unlawful unless there is a material violation of the Franchise Agreement and the termination is not done in bad faith.

If Indiana law requires the Franchise Agreement and all related documents to be governed by Indiana law, then nothing in the Franchise Agreement or related documents referring to Florida law will abrogate or reduce any of your rights as provided for under Indiana law.

**ADDENDUM TO BLUE-GRACE FRANCHISE LLC  
DISCLOSURE DOCUMENT  
FOR THE STATE OF MARYLAND**

The disclosure document is amended to include the following:

1. The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. Item 17 of the disclosure document is amended to reflect that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
3. Item 17 of the disclosure document is amended to state that you may sue in Maryland for any claims arising under the Maryland Franchise Registration and Disclosure Law.
4. Item 17 of the disclosure document is amended to state that the provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).
5. Item 5 of the disclosure document is amended to state that all initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the franchise agreement.

**ADDENDUM TO BLUE-GRACE FRANCHISE LLC  
DISCLOSURE DOCUMENT  
FOR THE STATE OF MICHIGAN**

The disclosure document is amended to include the following:

**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 THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.**

**(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISION OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.**

**(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE**

**EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.**

**(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.**

**(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.**

**(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:**

**(i) THE FAILURE OF THE PROPOSED TRANSFEREE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.**

**(ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.**

**(iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.**

**(iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.**

**(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED**

**THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).**

**(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.**

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

As to any state law described in this addendum that declares void or unenforceable any provision contained in the Franchise Agreement, the Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

**ADDENDUM TO BLUE-GRACE FRANCHISE LLC  
DISCLOSURE DOCUMENT  
FOR THE STATE OF MINNESOTA**

The disclosure document is amended to include the following:

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibits us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

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

The Franchise Agreement contains a liquidated damages clause. Under Minn. Rule 2860.4400J liquidated damage clauses are prohibited.

We will protect your right to use the Principal Trademarks and/or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Principal Trademarks.

Minn. Rule 2850.4400D prohibits us from requiring you to assent to a general release. Any release you sign as a condition of renewal or transfer will not apply to any claims you may have under the Minnesota Franchise Law.

For Minnesota franchisees, to the extent the Franchise Agreement requires it to be governed by a state's law other than the State of Minnesota or provides for arbitration or mediation, these provisions shall not in any way abrogate or reduce any rights of the franchisee as provided for in the Minnesota Franchise Act, including the right to submit matters to the jurisdiction of the courts of Minnesota.

Section 80C17, Subd. 5 of the Minnesota Franchise Act states that no civil action may be commenced for violation of the Minnesota Franchise Act more than 3 years after the cause of action accrues. The Franchise Agreement contains certain time limits on commencing actions. For Minnesota franchisees, to the extent that these limitations are inconsistent with those under the Minnesota Franchise Act, the provisions of the Franchise Agreement are superceded by the Minnesota Franchise Act's requirements and shall have no force or effect.



**ADDENDUM TO BLUE-GRACE FRANCHISE LLC  
DISCLOSURE DOCUMENT  
FOR THE STATE OF NEW YORK**

The disclosure document is amended to include the following:

1. Item 3 of the disclosure document is amended by the addition of the following language:

Neither we, nor a person identified in item 2, nor an affiliate offering franchises under our principal trademark:

A. 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. There are no pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-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. 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.

2. Item 4 of the disclosure document is amended by the addition of the following language:

Neither we, nor an affiliate, nor any of our officers during the 10-year period immediately before the date of the disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after our

officer held this position in the company or partnership.

3. Item 17 of the disclosure document is amended by the addition of the following language:

The choice of law provision contained in the Franchise Agreement should not be considered a waiver of any right conferred upon your our us by Article 33 of the General Business law of the state of New York.

**ADDENDUM TO BLUE-GRACE FRANCHISE LLC  
DISCLOSURE DOCUMENT  
FOR THE STATE OF NORTH DAKOTA**

The disclosure document is amended to include the following:

1. Item 17 is amended by the addition of the following language:

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

Although the Franchise Agreement provides that the Franchise Agreement will be governed by and construed in accordance with the laws of the State of Florida, this provision may not be enforceable under North Dakota law.

A contractual requirement that you sign a general release may be unenforceable under the law of North Dakota.

To the extent any provisions of the Franchise Agreement require you to consent to a waiver of exemplary or punitive damages, these provisions may not be enforceable under North Dakota law.

**ADDENDUM TO BLUE-GRACE FRANCHISE LLC  
DISCLOSURE DOCUMENT  
FOR THE STATE OF RHODE ISLAND**

The disclosure document is amended to include the following:

1. Item 3 of the disclosure document is amended by adding the following language:

No person identified in Item 2:

Is subject to any currently effective order of the securities and exchange commission or the securities administrator of any state denying registration to or revoking or suspending the registration of such person as a securities broker or dealer or investment advisor, or is subject to any currently effective order of any national securities association.

Is subject to any currently effective injunction or restrictive order relating to business activity as a result of any action brought by any public agency or department, including, without limitation, actions affecting a license as a real estate broker or salesman.

2. 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.”

**ADDENDUM TO BLUE-GRACE FRANCHISE LLC  
DISCLOSURE DOCUMENT  
FOR THE STATE OF SOUTH DAKOTA**

The disclosure document is amended to include the following:

1. Except as set forth in Item 3 of this disclosure document, neither we nor any person identified in Item 2 of this disclosure document has any material arbitration proceeding pending, or has during the 10 year period immediately preceding the date of this disclosure document been a party to concluded material arbitration proceedings.
2. We may not terminate the Franchise Agreement for a breach unless you receive 30 days prior written notice from us and you are provided with an opportunity to cure the defaults.
3. Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of South Dakota.
4. The laws of the State of South Dakota will govern matters pertaining to franchise registration, employment, covenants not to compete, and other matters of local concern; but as to contractual and all other matters, the Franchise Agreement will be subject to the applications, construction, enforcement and interpretation under the governing laws of Florida.
5. Any provisions in the Franchise Agreement restricting jurisdiction or venue to a forum outside of the State of South Dakota or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the South Dakota Franchise Act.
6. Any provision that provides that the parties waive their right to claim punitive, exemplary, incidental, special or consequential damages may not be enforceable under South Dakota law.

**ADDENDUM TO BLUE-GRACE FRANCHISE LLC  
DISCLOSURE DOCUMENT  
FOR THE STATE OF VIRGINIA**

The disclosure document is amended to include the following:

This disclosure document is provided for your own protection and contains a summary only of certain material provisions of the Franchise Agreement. This disclosure document and all contracts and agreements should be read carefully in their entirety for an understanding of all rights and obligations of both the Franchisor and Franchisee.

Although the Franchise has been registered under the Virginia Retail Franchising Act as amended, registration does not constitute approval, recommendation or endorsement by the Division of Securities and retail franchising of the Virginia State Corporation Commission or a finding by the Division of Securities and Retail franchising that the information provided herein is true, complete, accurate or not misleading.

If this disclosure document is not delivered on time, or if it contains a false, incomplete, inaccurate or misleading statement, a violation of Federal and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the Virginia Division of Securities and Retail Franchising, 1300 East Main Street, Richmond, Virginia 23219.

The name and address of the Franchisor's agent in Virginia authorized to receive service of process is:

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

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Blue-Grace Franchise LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: the following statements are added to Item 17.h.

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

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the Franchisor until the Franchisor has completed its pre-opening obligations under the Franchise Agreement.

**ADDENDUM TO BLUE-GRACE FRANCHISE LLC  
DISCLOSURE DOCUMENT  
FOR THE STATE OF WASHINGTON**

The disclosure document is amended to include the following:

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

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

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

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

The state of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement including the areas of termination and renewal of your franchise.

If any provisions of this disclosure document and the Franchise Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Washington Franchise Investment Protection Act will prevail over the inconsistent provisions of this disclosure document and the Franchise Agreement with regard to any franchise sold in Washington.

**ADDENDUM  
RELATING TO  
BLUE-GRACE FRANCHISE LLC  
FRANCHISE AGREEMENT  
FOR SBA (SMALL BUSINESS ADMINISTRATION)**

THIS ADDENDUM (Addendum) is made and entered into on \_\_\_\_\_, 20\_\_\_\_ by **BLUE-GRACE FRANCHISE LLC**, located at 2846 S. Falkenburg Rd., Riverview, FL 33578 (Franchisor), and \_\_\_\_\_ located at \_\_\_\_\_ (Franchisee).

**Recitals.** Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20\_\_\_\_, (Franchise Agreement). The Franchisee agreed among other things to operate and maintain a franchise located at \_\_\_\_\_. Franchisee has obtained from a lender a loan (Loan) in which funding is provided with the assistance of the United States Small Business Administration (SBA). SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing.

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

- The Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured on the date hereof.
- Notwithstanding anything to the contrary in Section 4.6 of the Franchise Agreement, the Franchisor may designate one or more vendors, provided, however, that the Franchisee has the right to select its own vendor to use in place of any vendor selected by the Franchisor, so long as the Franchisor determines whether the Franchisee's vendor meets its standards. The Franchisor's approval in this matter will not be unreasonably withheld.
- Notwithstanding anything to the contrary in Section 6.3 of the Franchise Agreement, the Franchisee shall have the discretion to set pricing for its products and services provided that, subject to applicable antitrust laws, such pricing: (1) is at or below any maximum price cap programs established by the Franchisor for its franchise system; or (2) is at or above any minimum price threshold programs established by the Franchisor for its franchise system; or (3) conforms to any bona fide promotional programs or national or regional accounts programs established from time to time by the franchisor for its franchise system.
- Pursuant to Section 7.14 of the Franchise Agreement any SBA financed franchise will be granted a lien on the business assets of the Franchisee as required in its loan authorization.



- Franchisor will not unreasonably withhold, delay or condition its consent to any proposed transfer or assignment by Franchisee that requires Franchisor's consent under Section 10.2 of the Franchise Agreement.
- Pursuant to Section 10.3(a)(xvi) of the Franchise Agreement the Franchisee, upon transfer, will not be required to guarantee the obligations of the transferee under the Franchise Agreement or any new franchise agreement subsequently entered into.
- If the Franchisor must operate the business under Section 10.5(b) of the Franchise Agreement, Franchisor will operate the business for a 90-day renewable term, renewable as necessary for up to one (1) year, and the Franchisor will periodically discuss the status with the Franchisee or its heirs.
- The following is added to the end of Section 11.1 (a) of the Franchise Agreement:

However, the Franchisor may not exercise a right of first refusal:

- (a) If a proposed transfer is between or among individuals (including members of their immediate families and their respective spouses) who, at the time of the proposed transfer, have an ownership interest in the Franchisee or the Franchised Business, and who have guaranteed the Franchisee's obligations under a then outstanding indebtedness which is guaranteed by the United States Small Business Administration ("SBA") (Owner/Guarantors); or
- (b) If a proposed transfer involves a person other than an Owner/Guarantor and the proposed transfer involves a non-controlling ownership interest in the Franchisee or the Franchised Business, unless such non-controlling interest: (1) represents less than a 20% ownership interest in the Franchisee or in the Franchised Business, or (2) the Franchisor (in combination with all of Franchisor's franchisees) qualifies as a small business and the exercise of the right does not affect the eligibility of the borrower to qualify for the SBA loan guarantee program.

The Franchisor's right to approve or to disapprove a proposed transfer or transferee, or to exercise its right of first refusal with respect to a transfer of a controlling interest in Franchisee or the Franchised Business, shall not be affected by any of the foregoing provisions. If the Franchisor does not qualify as a small business under SBA regulations, the parties acknowledge and understand that the Franchisor's exercise of its right of first refusal may result

in an SBA guaranteed loan becoming immediately due and payable.

- Notwithstanding anything to the contrary in Section 11.1(b)(i) of the Franchise Agreement, the entire purchase price must be paid at closing unless otherwise allowed by the SBA.
- If the Franchise Agreement is terminated and the Franchised Business or its contents are to be sold under Section 14.7 of the Franchise Agreement, and the parties are unable to agree as to a purchase price and terms, the fair market value of such premises and property shall be determined by three appraisers chosen in the following manner. Franchisee shall select one appraiser and Franchisor shall select one appraiser, and the two appraisers so chosen shall select a third appraiser. The decision of the majority of the appraisers so chosen shall be conclusive. The parties shall share the cost of the third appraiser equally.
- This Addendum automatically terminates on the earliest to occur of the following: (i) a termination occurs under the Franchise Agreement; (ii) the Loan is paid; or (iii) SBA no longer has any interest in the Loan.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written.

**FRANCHISOR:**

**FRANCHISEE:**

**BLUE-GRACE LOGISTICS LLC**

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

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

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

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

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

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

## EXHIBIT G

### Receipt

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

If Blue-Grace Franchise LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

**[New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]**

**[Michigan, Oregon and Washington require 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 Blue-Grace Franchise LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed in Exhibit A.

The franchisor is Blue-Grace Franchise LLC, 2846 S. Falkenburg Rd., Riverview, Florida 33578. Its telephone number is (813) 641-0357.

Issuance Date: March 24, 2014.

The franchise seller(s) for this offering is/are:

- Robert F. Beckmann, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-641-0357
- Adam W. Blankenship, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-641-0357
- Andrew M. Berke, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-641-0357
- Eric S. Chambers, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-641-0357

- Randy M. Collack, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-641-0357
- Michael C. Dolski, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-641-0357
- Magnus Edling, Blue-Grace Logistics LLC, 8170 S. Highland Dr., Ste. E-6, Sandy UT, 84093; 801-694-3348
- Kevin Goodnow, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-641-0357
- Robert Harris, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-641-0357
- Nicholas Lawson, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-641-0357
- Ryan P. McGuinness, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-425-0680
- Kenneth J. McMasters, Opportunity Brokers LLC, 22163 N. 78<sup>th</sup> St., Scottsdale, AZ 85255; 480-201-6805
- Brent Orsuga, Opportunity Brokers LLC, 22163 N. 78<sup>th</sup> St., Scottsdale, AZ 85255; 480-201-6805
- Other (Specify name, company, address and telephone number): \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

I received a disclosure document dated March 24, 2014 that included the following Exhibits:

- A State Administrators and Agents for Service of Process
- B Franchise Agreement and Related Materials
- C Confidential Operating Manual Table of Contents
- D List of Franchisees
- E Financial Statements
- F State Addenda to Franchise Disclosure Document
- G Receipts

Date: \_\_\_\_\_  
(Do Not Leave Blank)

Disclosee: \_\_\_\_\_

Printed name: \_\_\_\_\_

Disclosee: \_\_\_\_\_

Printed name: \_\_\_\_\_

**TO BE RETURNED TO:**

You may return the signed receipt either by signing, dating, and mailing it to Blue-Grace Franchise LLC at 2846 S. Falkenburg Rd., Riverview, Florida 33578, or by faxing a copy of the signed and dated receipt to Blue-Grace Franchise LLC at (813) 369-7804.

## EXHIBIT G

### Receipt

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

If Blue-Grace Franchise LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

**[New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]**

**[Michigan, Oregon and Washington require 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 Blue-Grace Franchise LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency listed in Exhibit A.

The franchisor is Blue-Grace Franchise LLC, 2846 S. Falkenburg Rd., Riverview, Florida 33578. Its telephone number is (813) 641-0357.

Issuance Date: March 24, 2014.

The franchise seller(s) for this offering is/are:

- Robert F. Beckmann, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-641-0357
- Adam W. Blankenship, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-641-0357
- Andrew M. Berke, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-641-0357
- Eric S. Chambers, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-641-0357

- Randy M. Collack, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-641-0357
- Michael C. Dolski, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-641-0357
- Magnus Edling, Blue-Grace Logistics LLC, 8170 S. Highland Dr., Ste. E-6, Sandy UT, 84093; 801-694-3348
- Kevin Goodnow, Blue-Grace Logistics LLC, 2846 S. Falkenburg Rd., Riverview, FL 33578; 813-641-0357
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(Do Not Leave Blank)

Disclosee: \_\_\_\_\_

Printed name: \_\_\_\_\_

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