

## FRANCHISE DISCLOSURE DOCUMENT



CRESTCOM INTERNATIONAL, LLC  
(a Delaware limited liability company)  
Crestcom International Building  
6900 East Belleview Avenue, Suite 100  
Greenwood Village, Colorado 80111  
Telephone: (303) 267-8200  
[www.crestcomfranchise.com](http://www.crestcomfranchise.com)  
[www.crestcomleadership.com](http://www.crestcomleadership.com)

Crestcom International, LLC, a Delaware limited liability company, is offering a franchise program for the operation of a business which offers management, sales and personnel development training programs and materials.

The total investment necessary to begin operation of a Crestcom franchised business ranges from \$85,345 to \$101,500. This includes \$69,500 that must be paid to the franchisor or an affiliate (as the initial fees).

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our Franchising Department at 6900 East Belleview Avenue, Suite 100, Greenwood Village, Colorado 80111 and (303) 267-8200.

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

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

**Issuance Date: April 11, 2014**

**For use in: AL, AK, AZ, AR, CA, CO, CT, DE, DC, GA, FL, HI, ID, IN, IA, KS, KY, LA, ME, MA, MN, MI, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, WA, WI, WV, WY, and U.S. TERRITORIES (see following pages for varying effective dates in certain states.)**

**NOT FOR USE IN IL, MD, OR VA.**

## STATE COVER PAGE

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

Call the state franchise administrator listed in Attachment K for information about the franchisor, or about franchising in your state.

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

Please consider the following RISK FACTORS before you buy this franchise:

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

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

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

Note: The Franchise Agreement provisions referred to in the risk factors may be void under some state franchise laws. See the State Addendum to the Disclosure Document, which is attached to this Disclosure Document as Attachment L.

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

**The Effective Dates of this Disclosure Document for the following states are:**

CA: May 2, 2014  
HI: April 22, 2014  
IN: May 1, 2014  
MN: April 16, 2014  
NY: May 7, 2014

ND: May 5, 2014  
RI: April 16, 2014  
SD: April 15, 2014  
WA: April 14, 2014  
WI: April 15, 2014

## INFORMATION FOR PROSPECTIVE FRANCHISEES IN MICHIGAN

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

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

- (A) A prohibition on the right of a franchisee to join an association of franchisees.
- (B) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (C) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of franchisee to comply with any lawful provisions 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 franchisee by repurchase or other means for the fair market value at the time of expiration, of franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to 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 five years; and (ii) 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 franchisee does not receive at least six months advance notice of franchisor's intent not to renew the franchise.
- (E) A provision that permits 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 franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state. (The above language has been included in this Disclosure Document as a condition to registration. We and you do not agree that the parties are restricted from choosing to conduct arbitration outside of Michigan and believe that each of the provisions of the Franchise Agreement, including each of the arbitration provisions, is fully enforceable. We and you intend to rely on the federal pre-emption under the Federal Arbitration Act.)
- (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 franchisee to meet franchisor's then current reasonable qualifications or standards.

- (ii) The fact that the proposed transferee is a competitor of franchisor or subfranchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of franchisee or proposed transferee to pay any sums owing to franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(H) A provision that requires franchisee to resell to franchisor items that are not uniquely identified with franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if 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 franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to 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.**

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

Any questions regarding the notice should be directed to:

State of Michigan  
Department of Attorney General  
Franchise Section - Consumer Protection Division  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
525 W. Ottawa Street  
Lansing, Michigan 48933  
Telephone Number: (517) 373-7117

## TABLE OF CONTENTS

ITEM	PAGE
1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES.....	1
2. BUSINESS EXPERIENCE .....	4
3. LITIGATION.....	5
4. BANKRUPTCY .....	5
5. INITIAL FEES .....	5
6. OTHER FEES.....	6
7. ESTIMATED INITIAL INVESTMENT.....	14
8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....	17
9. FRANCHISEE’S OBLIGATIONS .....	20
10. FINANCING .....	21
11. FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING .....	22
12. TERRITORY .....	30
13. TRADEMARKS .....	33
14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....	35
15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....	41
16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	43
17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....	44
18. PUBLIC FIGURES.....	49
19. FINANCIAL PERFORMANCE REPRESENTATIONS .....	49
20. OUTLETS AND FRANCHISEE INFORMATION.....	53
21. FINANCIAL STATEMENTS .....	64
22. CONTRACTS.....	64
23. RECEIPTS .....	64

### ATTACHMENTS

A	Franchise Agreement and Exhibits
B	Confidentiality/Application Agreement
C	Nondisclosure and Noncompetition Agreement
D	Form of Promissory Note
E	Professional Sales Representative Program Rider to Franchise Agreement
F	Form of Successor Franchise Rider to Franchise Agreement
G	Current Form of General Release
H	List of Franchisees
I	Franchisees Who Have Left the System
J	Financial Statements
K	List of State Agencies/Agents for Service of Process
L	State Addenda to Disclosure Document

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

**The Franchisor, its Predecessors and Affiliates.** The Franchisor is Crestcom International, LLC. For ease of reference, Crestcom International, LLC is referred to as “we,” or “us” in this Disclosure Document. The person who buys the franchise is referred to as “you” throughout this Disclosure Document. If you are a business entity, certain provisions of the Franchise Agreement also apply to the owners of the business entity and will be noted.

We are a Delaware limited liability company organized on December 21, 2007. We do business under our company name and no other name. We offer and sell franchises that operate under the name “Crestcom.” Our principal place of business is located at the Crestcom International Building, 6900 East Belleview Avenue, Suite 100, Greenwood Village, Colorado, U.S.A. 80111. Our agents for service of process are disclosed in Attachment K.

On January 9, 2008, we acquired substantially all of the assets of Crestcom International, Ltd., a Colorado corporation incorporated on December 9, 1987 (“CIL”). Prior to our acquisition of substantially all of the assets of CIL, CIL offered franchises of the kind being offered to you. CIL may be regarded as a predecessor of ours.

On the same date that we acquired substantially all of the assets of CIL, we acquired substantially all of the assets of an affiliated company of CIL named Krestcom Productions, Inc. (“Krestcom”), a Colorado corporation, which was incorporated on February 23, 1990. Krestcom formerly produced management, sales and personnel development training video media and related training materials for CIL. Krestcom may also be considered a predecessor of ours.

We are owned by a holding company called Crestcom International Holdings, LLC (“Holdings”), a Delaware limited liability company formed on October 21, 2013. It acquired all of our ownership interest as of November 15, 2013. Under the FTC’s Franchise Rule, Holdings may be considered to be our parent. The principal business address for Holdings is the same as ours.

**The Business.** We are in the business of developing, producing, and distributing management, sales and personnel development training programs and conducting training seminars. We also offer franchises for management, sales and personnel development training businesses under the marks “CRESTCOM<sup>®</sup>” and “CRESTCOM TRAINERS TO THE WORLD<sup>®</sup>,” and related service marks, trademarks and trade names (“Marks”) using our system for operating the businesses and related licensed methods of doing business (“Licensed Methods”). We have developed a combination of live and video media training programs, including The BULLET PROOF<sup>®</sup> Manager, a video media-based, live facilitated training program which is typically provided over a 12-month period. Additionally, we, our principals, and our predecessors have developed and copyrighted stand-alone video media, audio media, online media, and written training programs which are marketed to individuals and groups.

**The Franchise.** The franchise offered is for the operation of a management, sales and personnel development training business (“CRESTCOM Business”) using the Marks and the Licensed Methods. The Licensed Methods feature the sale or use for a fee of written materials, visual aids, and audio, video, and online media designed to be used as stand-alone training programs or in conjunction with specialized live in-person instruction seminars (“Live Instruction”) to instruct individuals, companies or other organizations (“clients”) in a variety of areas, including business, sales, motivation, customer service and management skills and development. We will refer to all written materials, visual aids, audio media, video media, online media, and related marketing aids, and any substitutes for, or items that are a

technological evolution of, any of the foregoing items, whether used in stand-alone training programs or Live Instruction, as “Materials” in this Disclosure Document. You may market the Materials from your residence or another approved franchise location.

Our CRESTCOM Business franchise program involves the licensing by us of the right to use our Marks and Licensed Methods in the operation of a management, sales and personnel development training business. Under our CRESTCOM Business franchise program, you are required to pay us an initial franchise fee, sign our standard franchise agreement (the “Franchise Agreement”), and operate your CRESTCOM Business according to our standards and specifications. A copy of our Franchise Agreement is attached to this Disclosure Document as Attachment A. Persons who execute a Franchise Agreement are sometimes referred to in this Disclosure Document as “Franchisees.”

When you purchase a CRESTCOM Business franchise, you will receive, on payment of your initial franchise fee, our “Fast Start Kit” containing an initial inventory of training and sample documents. The items in our Fast Start Kit are listed in Exhibit II to the Franchise Agreement. We can change the product mix of the Fast Start Kit at any time, without notice. Alternately, we may provide you with a credit equivalent in dollar value to our price for the items included in the Fast Start Kit that may be used to acquire Materials and products from us. You will also be given access to the Franchise Network portion of our website where we electronically place portions of our Procedures Manual, defined in Item 8 below, agreements you will use, and other information reserved to our Franchisees and clients.

As a Franchisee of ours, you also are granted the right to acquire Materials from us. In addition to the prices for our video media stated in our published price list, you pay us a Media Access Fee for those media units or modules that we grant you the right to access and market. When you sell the Materials to a client, you pay us a Distribution Fee and a Royalty Fee based on your Gross Revenues. See Item 6 for a more detailed discussion of the Media Access Fee, Distribution Fee, Royalty Fee and your Gross Revenues.

Under our CRESTCOM Business franchise program, you will specialize in marketing video media-based, live-facilitated management and sales training programs, the most popular of which is The BULLET PROOF<sup>®</sup> Manager training series. The BULLET PROOF<sup>®</sup> Manager training participants typically attend half-day sessions once a month for 12 consecutive months conducted by a facilitator (“Facilitator”). The Facilitator may be you or a person designated by you to conduct the training sessions. Participation in this and other authorized training programs enables participants to enhance their management or sales skills while simultaneously learning how to incorporate the same training within their own company.

We also offer a sales training program which established Franchisees may target to existing clients (the “Crestcom Sales Academy Program”). You must meet our qualification requirements before marketing the Crestcom Sales Academy Program. Franchisees who choose to market the Crestcom Sales Academy Program must pay us an additional surcharge. We may offer you the option to acquire other optional training programs in the future. If we do so, we will notify you of the terms and conditions under which you may acquire the optional training program, which may include additional franchise, license, access and other introductory fees or surcharges, other additional fees or surcharges, qualification requirements, additional training, and different operating specifications and standards. We may offer the optional training programs under a separate franchise agreement, an addendum to the Franchise Agreement, or another agreement, in our sole discretion, containing the terms and conditions for the relevant optional training program. We reserve the right to discontinue the Crestcom Sales Academy Program and any other optional training programs at any time in our sole discretion upon notice to you.

As stated in Item 15 below, you will have a limited right to retain up to two salespersons (“Salespersons”) to operate within your Assigned Area (defined in Item 12). If you comply with our Professional Sales Representative Program (“PSR Program”), then one or both of the Salespersons you can engage may be deemed a Professional Sales Representative (“PSR”). The PSR Program requires that we review and approve each PSR candidate. Each PSR candidate must satisfactorily complete an assessment. The sales made by a PSR are subject to lower Distribution Fees if you meet certain performance standards and satisfy other requirements. If you participate in the PSR Program, you will execute a separate rider to the Franchise Agreement in the form attached hereto as Attachment E (the “PSR Rider”). Additional terms and conditions for the PSR Program may be stated in the Procedures Manual and are subject to change. We reserve the right to discontinue the PSR Program at any time in our sole discretion upon notice to you. Upon termination of the PSR Program for any reason, the terms in this Disclosure Document related to the PSR Program shall cease to apply.

We also enter into area development agreements (“Area Development Agreements”) with third parties who agree to introduce potential Franchisees within designated geographic areas. Persons who enter into Area Development Agreements with us (“Area Developers”) sometimes provide certain assistance and support to our Franchisees within their geographic area. We may delegate or assign some of our obligations to you to an Area Developer whose territory includes or is close to your Assigned Area. We may also pay the Area Developer a portion of the initial franchise fee and other fees paid by you to us, in exchange for performing these obligations. Area Development Agreements are only offered in selected geographic regions. Area Development Agreements are offered with a separate disclosure document. Area Developers who also acquire a CRESTCOM Business franchise from us will be disclosed with this Disclosure Document and will sign a copy of the Franchise Agreement for that CRESTCOM Business franchise.

If you introduce a prospective Franchisee or Area Developer to us who was not previously known to us, and that person becomes a Franchisee or Area Developer of ours, we will provide you with a credit to acquire Materials or other items from us equal to the lesser of (i) 15 percent of the initial franchise fee or initial area development fee paid by the person or entity referred by you, or (ii) \$10,000. If the new Franchisee or Area Developer pays its initial franchise fee or initial area development fee in installments, the credit will be provided on a pro rata basis by the last day of the month in which funds are received. Otherwise, the credit will be provided to you when the initial franchise fee or initial area development fee is paid in full.

**Market for the Franchise Services.** The market for management, sales and personnel development training consists of individuals, companies and other organizations that have a desire to improve the skills of their management, sales and personnel staff. The Materials are designed to be marketed to a range of businesses, from those with two or more managers to Fortune 500 companies. The market is generally established and developed, but is growing as new businesses are established and existing businesses learn about the advantages of improving their management and sales techniques and personnel development. The sales of the services are not seasonal.

**Competition.** You may be in competition with other Franchisees and Area Developers of ours located in your Assigned Area, as well as other companies which market management, sales and other types of training programs and/or video media, some of whom conduct management, sales or personnel development seminars. You will also compete with other organizations and business consultants who focus on management, sales and other business related subjects or skills.

**Regulations.** We know of no current federal, state or local regulations specific to the marketing of our Materials. However, you should familiarize yourself with federal, state or local laws of a more



general nature, which may affect the operation of your CRESTCOM Business. It will be your responsibility to inquire into and comply with all applicable laws and regulations related to the operation of your CRESTCOM Business, including employment, worker's compensation, insurance, corporate, taxing and licensing laws and regulations.

**Business History of Us and Our Predecessors and Affiliates.** Through a business operated by a former officer of ours, CIL, our predecessor, participated in a prototype operation of a CRESTCOM Business from 1990 to 1997, originally in the State of Illinois and later in the State of Arizona, U.S.A. This prototype operation was converted to a franchised CRESTCOM Business in 1997.

Since 1989, CIL and we have had licensed Franchisees outside of the United States for the operation of businesses similar to a CRESTCOM Business offered in this Disclosure Document. CIL first began offering franchises for CRESTCOM Businesses in the United States in April 1992. We first began offering franchises for CRESTCOM Businesses in January 2008, following our acquisition of substantially all of the assets of CIL. Neither we, nor any of our affiliates currently offer franchises in any other lines of business, although we may do so in the future. As of December 31, 2013, there were 186 franchises in 61 countries, including the United States of America.

Except as described above, none of our predecessors, affiliates or parents have conducted business or offered franchises in any other line of business.

## **ITEM 2 BUSINESS EXPERIENCE**

**President and Chief Executive Officer: George W. Godfrey.** Mr. Godfrey has served as our President and Chief Executive Officer since March 2009. From March 2009 to November 2013, he also served as a Director, President and Chief Executive Officer of Crestcom Holdings, LLC, our former parent company. From July 2008 to March 2009, he served as our Chief Operating Officer. From July 2006 to July 2008, he was employed as Senior Vice President of Sales for Phoenix American, a provider of insurance vehicle service contracts in Miami, Florida.

**Chief Operating Officer: Dan Goliger.** Mr. Goliger, through his entity, Goliger's Management Systems, Inc., has served as our Chief Operating Officer since November 2012. Previously, from April 2011 until November 2012, he served as our Vice President of AD and Franchise Support. Through his company, he has been involved in the Crestcom franchise system since 2001 as both a Franchisee and Area Developer of ours and our predecessor CIL in Canada. Mr. Goliger is a past president of the Canadian Franchise Association.

**Vice President, Business Development: Charles A. Parsons II.** Mr. Parsons has been employed by us and our predecessor, CIL, since July 2007, first as our International Sales and Marketing Manager. He is currently the Vice President, Business Development for us, a position he has held since October 2011.

**Franchise Development Director: John G. Harris.** Mr. Harris has been employed by us and our predecessor, CIL, since September 2002, first as our International Franchise Marketing Manager, a position he held until January 2010. From March 2009 to January 2010, he also served as a Training Officer of ours. He is currently the Franchise Development Director for us, a position he has held since January 2010. From September 2002 until June 2012, Mr. Harris also served as a franchise broker for FasTracKids International, Ltd., a company in Greenwood Village, Colorado that franchises children educational businesses.

**ITEM 3  
LITIGATION**

**Arbitration Actions Brought by Us During the Past Fiscal Year Against Former Franchisees and Related Parties for Collection of Amounts Due, Breach of Contract, Fraud, Misappropriation of Trade Secrets, and Intentional Interference with Contractual Relationships:**

Crestcom International, LLC v. Dinhcom LLC and Allan Davidson, (Judicial Arbitrator Group Case No. 2013-1127A, filed June 28, 2013).

Crestcom International, LLC v. Jose A. Duany, Manuel G. Vega, ATS Peru SAC, and Innoactive SAC, (Judicial Arbitrator Group Case No. 2013-1128A, filed June 28, 2013 and American Arbitration Association Case No. 50 114 T 01000 13, filed October 22, 2013).

Crestcom International, LLC v. Maher Asaad Almahallawi, (Judicial Arbitrator Group Case No. 2013-1421A, filed November 1, 2013).

Crestcom International, LLC v. Bernhard Claus Siegfried Striebel, (Judicial Arbitrator Group Case No. 2013-1963A, filed December 6, 2013).

Other than the above matters, 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**

The initial franchise fee for one CRESTCOM Business franchise is \$69,500. The initial franchise fee is customarily paid in two installments. In most cases a refundable deposit (“Deposit”) of \$2,500 is paid with the signing of the Confidentiality/Application Agreement (“Application Agreement”), a copy of which is attached to this Disclosure Document as Attachment B. Once the Deposit has been paid, you may attend the initial classroom training program, which generally lasts three days. If after the initial classroom training program you and we agree to proceed with signing a Franchise Agreement, then the Deposit is converted to a down payment toward your initial franchise fee. The remaining amount due is typically paid in full with the signing of the Franchise Agreement. If either you or we elect not to proceed with the signing of the Franchise Agreement immediately after the completion of the initial classroom training program, then we will refund your Deposit.

We may, in our discretion, agree to finance a portion of your initial franchise fee. For information regarding financing, see Item 10 of this Disclosure Document.

Except as described above related to the Deposit, no portion of any initial fees or other amounts paid to us as described in this Item 5 are refundable under any circumstances once paid.

If applicable, a portion of your initial franchise fee may be paid by us to the Area Developer located in your Assigned Area or to another Franchisee or Area Developer who has referred you to us or provided us services related to your introduction to the Crestcom system.

Except as is provided in this Item 5, all initial franchise fees for U.S. Franchisees are uniform as to all persons currently acquiring a CRESTCOM Business franchise.

**ITEM 6  
OTHER FEES**

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty Fee <sup>1,3</sup>	1.5% of Gross Revenues	Payable weekly on Monday of each week for funds received in the preceding week <sup>6</sup>	Gross Revenues include all revenues generated through your CRESTCOM Business or otherwise from the sale or other transfer or use of the Materials and Live Instruction and any other products and services. Beginning with the third full calendar quarter after the execution of your Franchise Agreement, you must meet certain minimum sales obligations. See Item 12 for a more detailed discussion of your minimum sales requirements. You may receive a credit under our Merit Program if you meet certain Gross Revenue levels. See Footnote 3.
Distribution Fee <sup>1,2,3</sup>	34% of Gross Revenues, or 24% of Gross Revenues from PSRs under the PSR Program	Payable weekly on Monday of each week for funds received in the preceding week <sup>6</sup>	This represents our portion of the revenues from the distribution of the Materials. See remarks under “Royalty Fee” for explanation of Gross Revenues. Beginning with the third full calendar quarter after the execution of your Franchise Agreement, you must meet certain minimum sales obligations. See Item 12 for a more detailed discussion of your minimum sales requirements. You may receive a credit under our Merit Program if you meet certain Gross Revenue levels. See Footnote 3.
Materials Costs <sup>1</sup>	Will vary, based on our published price list	Prior to shipment or as agreed <sup>6</sup>	We charge you for Materials you purchase or otherwise acquire through us.

<b>Column 1 Type of Fee</b>	<b>Column 2 Amount</b>	<b>Column 3 Due Date</b>	<b>Column 4 Remarks</b>
Media Access Fee <sup>1</sup>	\$7 for each media unit or module	Prior to shipment or as agreed <sup>6</sup>	The Media Access Fee is your payment for your right to access and market the media units or modules.
New Materials Surcharge <sup>1,4</sup>	Currently \$400 per media unit or module, but may be changed	On the earlier of the first order of the New Materials or six months from the date the New Materials become available, or per the terms of a promissory note <sup>6</sup>	You must acquire the access and rights to, and introduce, New Materials within six months of availability. See Footnote 4 below.
Crestcom Sales Academy Program Surcharge <sup>1,5</sup>	Currently \$3,500 (less 3% if paid in full at the time you elect to market the Crestcom Sales Academy Program), but may be changed	At the time you acquire the rights to market the Crestcom Sales Academy Program, or per the terms of a promissory note <sup>5</sup>	If you qualify, you have the option to market the Crestcom Sales Academy Program. You must pay this surcharge for the rights to market that training program. See Footnote 5 below.
PSR Assessment Fees <sup>7</sup>	Currently \$37 for initial set-up, plus \$179 for a profile for each PSR candidate	Initial set-up charge payable upon execution of PSR Rider, profile charges payable when incurred	These fees are payable to the supplier of the PSR Assessment that must be satisfactorily completed by each PSR. The supplier may increase its rates for these services. We will reimburse you one-half of the fee for each profile, for up to six PSR Assessments per year.
Client Access Fee <sup>1</sup>	Currently none. However, we may charge a fee upon 30 days' notice to you	If collected, payable on a basis that we establish <sup>6</sup>	For permitting your clients to view and utilize the Materials at the client's offices or elsewhere through an online streaming system that we may establish. The amount of this fee, once we begin collecting it, is subject to change on 30 days' notice.
Mandatory Computer System and Program Fee <sup>1</sup>	Currently none. However, if we establish any Mandatory Computer Systems and Programs, defined in Item 11, we may charge a fee related to the Mandatory Computer Systems and Programs.	If collected, payable on a basis that we establish <sup>6</sup>	We may require you to obtain additional Mandatory Computer Systems and Programs in the future and pay fees related to those Mandatory Computer Systems and Programs. See Item 11.

<b>Column 1 Type of Fee</b>	<b>Column 2 Amount</b>	<b>Column 3 Due Date</b>	<b>Column 4 Remarks</b>
E-mail Account / Website Fee <sup>1</sup>	Currently none. However, we may in the future charge a fee for providing the e-mail account, our website or both.	If collected, payable on a regular basis with the Royalty Fee and Distribution Fee or as agreed <sup>6</sup>	We will provide you with an e-mail account with the domain name "crestcom.com." This account is currently provided without an additional charge, but we may charge a fee in the future for providing the e-mail account, our website or both, and can modify or discontinue providing the e-mail account, our website or both. See Item 11.
Special Needs Access to Materials or Live Instruction	Will vary	As incurred	You are responsible for all costs and expenses incurred for special equipment or to modify the format of the Materials, or the manner of conducting Live Instruction for, individuals who are blind, hearing impaired, or who have similar physical disabilities.
Shipping Costs and Taxes <sup>1</sup>	Will vary	Prior to shipment or as agreed <sup>6</sup>	You are responsible for all taxes and shipping costs incurred by us in selling and shipping Materials to you.

<b>Column 1 Type of Fee</b>	<b>Column 2 Amount</b>	<b>Column 3 Due Date</b>	<b>Column 4 Remarks</b>
Regional Meeting and Annual Convention Fee <sup>1</sup>	Will vary	As incurred <sup>6</sup>	You must attend the annual international convention each year. You also must, if we request, attend up to one additional meeting each year. Unless waived by us, your attendance at these meetings is required. We may allocate all of the direct and indirect costs which are associated with holding each program and the annual convention among all attendees, and if you or your representative attend you may be required to pay your pro-rata share. We may also allocate expenses for items or services specifically for the benefit of only a particular group among the members of that group. If you do not attend a mandatory meeting, you may be required to pay 125% of the pro-rata share of an attendee.
Audit Fee <sup>1</sup>	Cost of inspection or audit.  If you commit an Act of Deception (as defined in Section 14.5 of the Franchise Agreement), \$25,000.	As incurred.  Payable in advance. <sup>6</sup>	This fee is payable if you understate your Gross Revenues by 2% or more, or if you fail for 3 consecutive reporting periods to submit to us any required statement or report. You are also responsible for any expenses associated with collecting and delivering any documents requested by us for our inspection or audit. If you commit an Act of Deception, you must pay us \$25,000 immediately upon notice from us to cover the cost of the audit. Any amounts unpaid, unreported or underreported must also be paid in full.

<b>Column 1 Type of Fee</b>	<b>Column 2 Amount</b>	<b>Column 3 Due Date</b>	<b>Column 4 Remarks</b>
Transfer Fee <sup>1</sup>	\$16,500	Prior to consummation of transfer <sup>6</sup>	This fee is payable if you transfer the Franchise Agreement, or other interest in your franchise. This fee will be refunded if we do not approve the transferee or if we determine that the transferee has failed to successfully complete our initial training program. If you are executing the Franchise Agreement for a successor franchise term, we will apply the transfer fee in your original franchise agreement.
Transferee Training Fee <sup>1</sup>	\$3,500	Prior to consummation of transfer <sup>6</sup>	If you transfer your Franchise Agreement or other interest in your franchise, the transferee must attend Franchisee training and pay a Franchisee training fee before assuming your franchise. This fee will be refunded to the transferee if we determine that the transferee does not meet our qualification requirements or fails to successfully complete our initial training program. If you are executing the Franchise Agreement for a successor franchise term, we will apply the transferee training fee in your original franchise agreement.
Successor Franchise Fee <sup>1</sup>	\$3,500	At time of exercise of the successor franchise rights <sup>6</sup>	Unless waived by us, you will sign our then current Franchise Agreement. If you are executing the Franchise Agreement for a successor franchise term, the successor franchise fee in your original franchise agreement will carry forward for future renewals.

<b>Column 1 Type of Fee</b>	<b>Column 2 Amount</b>	<b>Column 3 Due Date</b>	<b>Column 4 Remarks</b>
Live Instruction Costs <sup>1</sup>	Will vary	As services are performed <sup>6</sup>	If you are unable or fail to perform any Live Instruction and we perform it for you, you must pay us the amount received from your client, plus our expenses associated with the Live Instruction, and a fee for our time based on our then current published rates.
New Material and Supplier Approval <sup>1</sup>	Actual expenses of approval	As incurred <sup>6</sup>	If you request our approval of new materials or services, or a new supplier, we may require you or the supplier to reimburse us for any expenses we incur in determining if the material, service or supplier meets our specifications and standards. See Item 8.
Interest <sup>1</sup>	Lesser of 18% per annum or highest rate of interest allowed by law	As incurred <sup>6</sup>	Begins to accrue 7 days after payments are due.
Administrative Fee <sup>1</sup>	\$10 per late fee or payment	As incurred <sup>6</sup>	We may charge an administrative fee of \$10 if any report, fees, or other amounts are not delivered or paid when due.
Late Charge <sup>1</sup>	3% of the greater of the (1) Royalty Fee and Distribution Fee owed, or (2) the Minimum Monthly Requirement (see Item 12).	As incurred <sup>6</sup>	We may assess this fee if any report, fees, or other amounts are not delivered or paid when due.
Unreported or Inaccurately Reported Sales or Underpayments <sup>1</sup>	Will vary under circumstances	Upon discovery of an Act of Deception (as defined in Section 14.5 of the Franchise Agreement) <sup>6</sup>	If you fail to report sales, provide false or inaccurate reports, fail to submit copies of contracts with clients, or underpay amounts owed, you must pay 100% of the gross amount derived from the applicable sales of Materials or services if you do not correct the matter within 25 days regardless of whether we provide notice or not.
Additional and Refresher Training <sup>1</sup>	The then current rate	As incurred, prior to training <sup>6</sup>	See Items 7 and 11. We provide initial training for three individuals for free.



<b>Column 1 Type of Fee</b>	<b>Column 2 Amount</b>	<b>Column 3 Due Date</b>	<b>Column 4 Remarks</b>
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable upon your failure to comply with the Franchise Agreement, or if you fail to prevail in litigation or arbitration against us related to the Franchise Agreement.
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims arising from your CRESTCOM Business operations.

<sup>1</sup> Fees and costs which are imposed by and payable to us. All of these fees and costs are nonrefundable, except as specifically noted above for the transfer fee and transferee training fee. All fees are uniformly imposed on all U.S. Franchisees who sign our current Franchise Agreement unless stated otherwise. Certain fees in our current Franchise Agreement have changed from the amounts charged in the past and may change in the future. Therefore, existing and future Franchisees may have fees imposed on them that are different from those represented in this table. We may apply any payments that we owe you against any amounts that you owe us. Upon our request, you must immediately notify your clients and instruct them to make all payments directly to us, and you assign us those payment rights. If you fail to promptly instruct your clients or take other action requested by us, we are authorized to notify your clients directly. When we receive the payments, we will keep any fees or other amounts owed to us by you, and then deliver the remaining amount to which you are entitled, if any, to you. You remain responsible for fulfilling any obligations owed to your clients, regardless of this assignment of payments.

<sup>2</sup> The Distribution Fee represents a significant portion of our income, which we realize at the time you generate income from the Materials you acquire from us. A portion of the Distribution Fee may be reduced for Franchisees that participate in and comply with our PSR Program. For sales made solely from or through the efforts of a Franchisee's PSR in full compliance with the PSR Program, the Distribution Fee is reduced to 24 percent, provided the Franchisee complies with all of the following requirements:

(i) The Franchisee must generate, on average over each calendar quarter, monthly Gross Revenues, separate from those of its PSRs, of at least the greater of (i) the average amount of Gross Revenues the Franchisee generated over each calendar quarter during the 12 full calendar months prior to the execution of the PSR Rider, or (ii) the Gross Revenues necessary to meet the Minimum Monthly Requirement provided in the Franchisee's Franchise Agreement.

(ii) The Franchisee will not commingle its own sales or any of its Gross Revenues with those sales or Gross Revenues generated by any of its PSRs.

(iii) The Franchisee will report its own sales and its PSRs' sales separately on such forms and in such format as we shall require.

(iv) The Franchisee is not otherwise in default of the Franchise Agreement.

You are eligible to participate in the PSR Program after the first anniversary of your Franchise Agreement provided you are generating on average each month during a calendar quarter Gross Revenues in excess of the Minimum Monthly Requirement. In the event a Franchisee engages a qualified PSR but subsequently fails to meet these standards, then the Distribution Fee due on all Gross Revenues generated by the Franchisee's PSR shall be charged at the standard rate of 34 percent until the time that these requirements are again met. Compliance with these requirements and the PSR Program reduces only the Distribution Fee related to a PSR's Gross Revenues. All other fees in the Franchise Agreement due from a Franchisee based on its Gross Revenues shall also apply to all Gross Revenues generated by a Franchisee's PSRs. Additional terms and conditions for the PSR Program may be provided in the Procedures Manual, and are subject to change.

<sup>3</sup> Under our merit program as described in our Procedures Manual (the "Merit Program"), Franchisees may be entitled to receive a credit from us if they reach certain Gross Revenues targets. Participation in the Merit Program commences after a CRESTCOM Business has realized Gross Revenues during one fiscal year (the "Merit Program Commencement Year") at least equal to a threshold amount that we will set in our Procedures Manual and which is subject to change each year (the "Merit Program Threshold Level"). The fiscal year for purposes of the Merit Program runs from July 1<sup>st</sup> to June 30<sup>th</sup> of each year. After the Merit Program Commencement Year, if a CRESTCOM Business's Gross Revenues exceeds the previous year's Gross Revenues by more than 6 percent (the excessive amounts above this 6 percent will be referred to as the "Excess Gross Revenue Increase"), the Franchisee will be entitled to a credit equal to 10 percent of the Excess Gross Revenue Increase that we will apply against the Franchisee's future fees or payments to us. For any Franchisee that is also an Area Developer of ours, the credit will instead be equal to 5 percent of the Excess Gross Revenue Increase. Any sales by any PSRs are not included in the Gross Revenues for purposes of calculating the Merit Program Threshold Level or the Excess Gross Revenue Increase. Franchisee must meet the Merit Program Threshold Level each year and comply with the other conditions of the program, which are stated in the Procedures Manual, to continue to participate in this program. The terms of the Merit Program are subject to change.

<sup>4</sup> Franchisees pay us an introductory surcharge when we produce or obtain a new, revised, or updated training program that may be provided in audio, video, online, or other media format that was not available on the effective date of the Franchisee's Franchise Agreement ("New Materials"). Franchisees must begin marketing the new program within six months after it becomes available. The current amount of the introductory surcharge is \$400 per new media unit or module of the New Materials, or \$9,600 for a 24 unit The BULLET PROOF<sup>®</sup> Manager training program. We may change the introductory surcharge by amending the Procedures Manual. You must be in compliance with your surcharge obligations as a condition of the exercise of the successor franchise rights or transfer of your Franchise Agreement. We may, in our discretion, agree to finance a portion of your New Materials surcharge as discussed in Item 10.

<sup>5</sup> Franchisees who desire to market the Crestcom Sales Academy Program must pay us this surcharge. The current amount of the surcharge is \$3,500. We may change the surcharge by amending the Procedures Manual. To begin marketing the Crestcom Sales Academy Program, you must have an established base of clients satisfactory to us. Until you are approved by us to market the program and you complete the training we provide related to the program, you cannot market or provide the Crestcom Sales Academy Program. The Crestcom Sales Academy Program may only be marketed to existing clients in your Assigned Area. We reserve the right to modify or discontinue the Crestcom Sales Academy Program at our sole discretion. We may, in our discretion, agree to finance a portion of your Crestcom Sales Academy Program surcharge as discussed in Item 10. We may introduce additional optional training programs in the future and offer you the rights to those programs for additional fees or surcharges.

<sup>6</sup> You must execute an authorization, in the form supplied by us, permitting us to charge your credit card for any past due fees owed to us, and for Administrative Fees, Late Charges, and any interest you incur.

<sup>7</sup> To increase the likelihood of success of a PSR candidate, all of your PSR candidates must pass an assessment offered and conducted by our approved supplier (the “PSR Assessment”). The fees for the PSR Assessment are payable to the third party supplier, and are not refundable, even if your PSR candidate is not deemed suitable following the PSR Assessment. However, we will reimburse you one-half of the charge for up to six PSR Assessments per year. You will complete and submit an enrollment form in the form attached as Exhibit I to the PSR Rider (the “PSR Assessment Form”) in order to obtain the PSR Assessment from the third party supplier.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Column 1 Type of Expenditure	Column 2 Amount		Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee (See Note 1)	\$69,500	\$69,500	Cash or Finance (See Item 5)	\$2,500 with the execution of Application Agreement, balance with the signing of Franchise Agreement	Us
Office Lease Costs (See Note 2)	-0-	\$500	As Arranged	As Arranged	Third Parties
Fast Start Kit (See Note 3)	-0-	-0-	N/A	N/A	N/A
Equipment and Supplies (See Note 4)	\$725	\$4,205	As Arranged	As Arranged	Third Parties
Insurance (See Note 5)	\$500	\$1,800	As Arranged	As Arranged	Third Parties
Initial Training Expense (See Note 6)	\$1,120	\$3,670	As Arranged	As Arranged	Third Parties
Seminar Expense (See Note 7)	-0-	\$1,250	As Arranged	As Arranged	Third Parties
Legal and Accounting (See Note 8)	\$500	\$1,500	As Arranged	As Arranged	Third Parties

Column 1 Type of Expenditure	Column 2 Amount		Column 3 Method of Payment	Column 4 When Due	Column 5 To Whom Payment is to be Made
	Low	High			
Shipping Costs; Initial Inventory	\$200	\$700	As Arranged	As Arranged	Third Parties
Marketing Program (See Note 9)	\$7,800	\$9,600	As Arranged	As Arranged	Third Parties
Additional Funds (3 months) (See Note 10)	\$5,000	\$8,775	As Arranged	As Arranged	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (See Notes 11 and 12)	\$85,345	\$101,500			

### **Explanatory Notes**

**NOTE 1: Initial Franchise Fee.** The initial franchise fee for our CRESTCOM Business franchise is \$69,500. See Item 5 for a discussion of our initial franchise fee.

**NOTE 2: Lease Costs.** Most current Franchisees maintain an office in their residence. However, you may elect to lease office space from which to conduct your business. You will only need a 100 square foot office in an executive suite with a shared receptionist. The office will not need to be located in a central business district. The estimates in the table include the first three months' lease payment and a security deposit equal to one month's rent. However the lease rate and required deposit for leased office space will vary considerably from area to area.

**NOTE 3: Fast Start Kit.** Upon payment of your initial franchise fee, we will provide you with our Fast Start Kit at no additional charge to you. Our Fast Start Kit contains an initial inventory of training materials and sample documents to promote your CRESTCOM Business. Alternately, we may decide to provide you with a credit equivalent in dollar value to our price for the items included in the Fast Start Kit that may be used to acquire Materials and products from us.

**NOTE 4: Equipment and Supplies.** The initial cost for equipment is estimated to be from \$725 to \$4,205, based on the following:

<b>Equipment</b>	<b>Minimum Amount</b>	<b>Maximum Amount</b>
Video Projector	\$500	\$1,500
Portable DVD Player/iPad/Tablet	\$100	\$900
DVD Case (optional)	-0-	\$80
Phone and Voice Mail System	\$75	\$250
Computer System	-0-	\$1,400
Videoconferencing Equipment and Software	\$50	\$75
<b>Total</b>	<b>\$725</b>	<b>\$4,205</b>

You may already own some of the items contained in the equipment listed above. In that event you will only need to obtain the remaining items listed. The projection screen used to conduct your training sessions is often provided by the hotel or other meeting place where you hold your training sessions. Therefore, we have not included this item in these estimates. You may also be able to find a source that will allow you to lease your equipment.

**NOTE 5: Insurance.** General liability insurance varies in each assigned area. We recommend that a Franchisee maintain insurance on the Materials in its possession or control. No estimate is given for the cost of that insurance. You should consult an attorney or insurance advisor for recommended coverage. You may need to increase any existing automobile insurance coverage that you presently have due to the increased amount of usage of your automobile. Estimates for automobile insurance are shown in the table.

**NOTE 6: Initial Training Expenses.** An initial training program, consisting of an initial classroom training program and an initial field training program, is provided at no additional charge to you for up to three persons, although only one person is required to attend and complete the initial training program. You are responsible for the travel, lodging and living expenses of each person you select to attend the training program. The table lists the estimated costs for travel, lodging and living expenses in connection with one person attending the training program. We will reimburse you for one-half of the cost of transportation to and from the training site by the most economical means for one person's attendance at the training program, except if you are acquiring your CRESTCOM Business as the result of a transfer.

**NOTE 7: Seminar Expenses.** You may decide to conduct management training and hold monthly The BULLET PROOF® Manager courses in area hotels or meeting rooms. The estimated cost for one month's training is approximately \$0 to \$1,250, representing costs for the meeting room depending on where your seminars are held. You may be able to reduce this cost by offering to train hotel personnel in exchange for the use of the facilities. We agree to waive your Distribution Fees for one such exchange per year. The numbers in the chart assume that you will serve as the Facilitator.

**NOTE 8: Legal and Accounting.** You are encouraged to consult with legal counsel and an accountant in connection with your investment in this CRESTCOM Business and with start-up business concerns. Franchisees must maintain accurate books and records, kept in accordance with United States generally accepted accounting principles. At our request, Franchisees must provide us with their annual financial statements, which may be unaudited but be compiled or reviewed by an independent certified public accountant, and their state and federal income tax returns within 120 days after the end of each applicable fiscal year. We cannot accurately estimate the amount of fees that you will pay to an accountant to assist you in preparing your financial statements and tax returns. You should consult with your own accountant in order to determine the initial and continuing costs of complying with our administration and accounting requirements.

**NOTE 9: Marketing Program.** Unless otherwise agreed to by us, Franchisees must follow our proprietary prescribed marketing plan, which is provided in the Procedures Manual, for generating leads for their CRESTCOM Businesses, including mailing to bona fide prospective clients a minimum number of our proprietary mailing instruments each month for a designated period of time. You will be responsible for all costs associated with acquiring, preparing and mailing our proprietary mailing instrument to your prospective clients.

We may provide telemarketing services to you under such terms and conditions as we may determine, and if you choose to use those telemarketing services, the amounts you pay to us for those services are nonrefundable, but will be credited toward your required expenditures under our proprietary prescribed marketing plan. The details of our proprietary prescribed marketing plan are found in the Procedures Manual.

**NOTE 10: Additional Funds.** This amount is an estimate and includes a Franchisee's pre-operational expenses which are not listed above, as well as estimated additional funds necessary for the first three months of business operations. It includes travel, freight, rent, permits, taxes, utilities, advertising and other operational expenses, but does not include a salary or draw for the Franchisee or others, including any Salespersons, Facilitators or telemarketers employed by the Franchisee. You are not required to employ any of these persons. You may have additional expenses starting your business. Your costs depend on several factors and may vary beyond the range noted above.

**NOTE 11: Total Estimated Initial Investment.** The range for an investment in a CRESTCOM Business is typically from \$85,345 to \$101,500. In compiling these figures, we have relied on the more than 20 years of experience of our predecessor and us in this business and the cumulative years of similar experience of our individual management personnel. You should review these figures carefully with a business advisor before making any decision to purchase a franchise. Except as stated in this Item 7, we do not provide an estimate of operating costs for your CRESTCOM Business over any period.

**NOTE 12: Refunds.** Except for the Deposit described in Item 5 above, no other payments to us are refundable under any circumstances. Payments to third parties may or may not be refundable depending on your agreement with such third parties; however, usually such payments are nonrefundable.

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

Franchisees must establish and operate their CRESTCOM Businesses in compliance with our Franchise Agreement and with the standards and specifications contained in the manuals, technical bulletins, and other supplemental written materials that we make available to Franchisees (collectively, the "Procedures Manual"). We will provide you with a copy of the Procedures Manual for use during

training, and thereafter will make available to you the Procedures Manual through our proprietary, restricted, and confidential licensee's support website, or via any other written, audio, video, or online source that we choose. You must read and learn the Procedures Manual and comply with it in the development and operation of your CRESTCOM Business as an essential aspect of your obligations under the Franchise Agreement. Our Procedures Manual may be modified by us. If any inconsistencies exist between the provisions in any Procedures Manual we make available to you and our master Procedures Manual we maintain at our office, regardless of whether it is in electronic or other form, our master Procedures Manual will control.

We will provide Franchisees standards and specifications for Materials, Live Instruction and related materials and services that they may offer through their CRESTCOM Businesses. We also provide sales and management training techniques, forms and business methods to be used in a CRESTCOM Business. We may change our standards and specifications on 10 days prior written notice.

One of our primary methods of communication with our Franchisees, distributors, and Area Developers is through our periodically published newsletter, *The Best of Crest*. You are responsible for knowing all of the information contained in our newsletters, and complying with any standards and specifications provided in them. We may establish and change the standards and specifications for the operation of a CRESTCOM Business through our newsletters.

Unless otherwise agreed to by us, Franchisees must comply with our proprietary prescribed marketing plan. See Note 9 in Item 7.

Franchisees must purchase or otherwise acquire all items used in their CRESTCOM Businesses from suppliers designated or approved by us. If you want to utilize any materials or services in your CRESTCOM Business, or use any new suppliers that have not previously been approved by us, you must first obtain our approval. We may, in our discretion, withhold our approval. We do not have written criteria for supplier approval, and therefore such criteria are not provided to any of our Franchisees. However, we may require that you submit specifications, information or samples of the items for our review to determine if they meet our specifications and standards as to quality, content, composition and service. We will advise you within 30 days after we receive the required information whether the items or proposed suppliers meet our specifications. We do not require that a fee be paid to us to secure supplier approval; however, we may require you or the supplier to reimburse us for any expenses we incur in determining if the supplier meets our specifications and standards. We may revoke our approval of any supplier previously approved by written notice to you or the supplier. No person or company affiliated with us is currently an approved supplier for any of the items used in your CRESTCOM Business. Some of our officers have an indirect ownership interest in us. Otherwise, no officer of ours owns any interest in any of our approved suppliers.

We are currently the only approved supplier of the Materials. There are no other authorized sources for the Materials for our United States Franchisees, nor is it anticipated that there will be an alternative source available during the term of your Franchise Agreement. We estimate that the purchase of Materials to be used in your CRESTCOM Business will be zero percent of the total cost to establish your CRESTCOM Business because, with the payment of your initial franchise fee, we provide you with our Fast Start Kit (or, in our discretion, a credit to be used toward the acquisition of products and Materials from us) at no additional charge to you. Because we do not typically require Franchisees to provide us with their financial statements, we cannot accurately estimate what the percentage of your ongoing acquisition of Materials to the total of all recurring operating expenses of your CRESTCOM Business will be. However, we estimate that acquiring Materials and other items in accordance with our standards and specifications, including the payment of the Media Access Fee for any media units and

modules that we grant you the right to access and market, will comprise 90 to 95 percent of the product purchase requirements for both the initial investment and ongoing operations.

You are solely responsible for any claims or liability arising from or related to products used in your CRESTCOM Business, including any strict product liability claims.

You cannot buy or sell Materials from or to any other current or former Franchisee or distributor without our written consent. We may withhold our consent in our discretion.

Franchisees must comply with all agreements with third parties related to their CRESTCOM Businesses.

Franchisees are prohibited from contacting any of the individuals featured in the Materials for the purpose of directly or indirectly engaging or utilizing those individuals in their CRESTCOM Businesses or in any competing business, entering into any business dealings or arrangements with those individuals, or brokering any business dealings or arrangements involving the services or products, other than the Materials, of such individuals.

Franchisees may not modify the Materials or any aspect of the Materials in any manner without our prior written consent, which we may withhold for any reason. A Franchisee must obtain our written consent before adding any additional logos, stickers, graphics, or other information to any of the Materials, cover or conceal any part of the Materials, or change the appearance or content of the Materials.

Your PSR candidates must be deemed suitable under the PSR Assessment offered by our approved supplier in order to participate in the PSR Program.

We and our designated representatives will be entitled to monitor or record the Live Instruction conducted by you to evaluate the Facilitator and to obtain other information, including the number, names and addresses of the attendees.

You will need a computer system as described in Item 11. You may already own one meeting our minimum requirements.

Upon a transfer of the rights to your CRESTCOM Business, if you desire assistance in finding a potential purchaser, the Area Developer for your Assigned Area may agree to provide this assistance to you. You will be required to compensate the Area Developer \$12,500 for these services, which will be reduced to \$10,000 if the transferee is first identified by you rather than the Area Developer.

Other than the requirements above, you are not obligated to purchase or lease any goods, services, supplies, fixtures, equipment, inventory or real estate from us or any other specifically designated source.

Currently, because we are the only approved source for acquiring Materials for our United States Franchisees and Area Developers, we do not negotiate purchase arrangements with suppliers for the benefit of Franchisees and Area Developers, nor do we derive revenue from your purchases through third party suppliers, although we and our affiliates reserve the right to do so in the future. We will derive revenues from acquisitions of Materials and other items through us. During the fiscal year ending on December 31, 2013, we had revenues of \$8,543,363.37. Of this amount, \$132,257.11 (approximately 1.55 percent of the total revenues) consisted of revenues derived from Materials and other items sold to Franchisees and Area Developers in the United States. This information was compiled based on our



financial statements, described in Item 21. Neither we nor our affiliates derive revenues from real estate leases. No other affiliated company of ours derived revenues from the sale of any products or services to our Franchisees or Area Developers.

Except as is described in this Item 8, you do not receive a material benefit from us based on your use of any particular designated or approved source.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement	Disclosure Document Item
(a) Site selection and acquisition/lease	Section 3.1	Items 7 and 11
(b) Pre-opening purchases/leases	Section 6.1	Item 7
(c) Site development and other pre-opening requirements	Article 6	Items 7 and 11
(d) Initial and ongoing training	Article 5	Items 7 and 11
(e) Opening	Section 6.6	Item 11
(f) Fees	Articles 4 and 11	Items 5, 6 and 7
(g) Compliance with standards and policies/ Procedures Manual	Articles 8 and 10 and Section 12.1	Items 11 and 14
(h) Trademarks and proprietary information	Article 13	Items 13 and 14
(i) Restrictions on products/services offered	Section 12.3	Item 16
(j) Warranty and customer service requirements	Not Applicable	Not Applicable, but see (g) above regarding Procedures Manual
(k) Territorial development and sales quotas	Sections 3.2, 3.3 and 11.7	Item 12
(l) On-going product/service purchases	Sections 10.1, 10.2, 10.3, 10.4, and 10.7	Items 6 and 8
(m) Maintenance, appearance and remodeling requirements	Not Applicable	Not Applicable
(n) Insurance	Section 20.1	Item 7
(o) Advertising	Sections 10.5 and 12.2	Items 7 and 11

Obligation	Section in Franchise Agreement	Disclosure Document Item
(p) Indemnification	Section 18.3	Item 6
(q) Owner's participation/management/staffing	Sections 5.1, 6.3 and 10.5	Items 11 and 15
(r) Records and reports	Section 10.5 and Article 14	Item 6
(s) Inspections and audits	Sections 14.3, 14.4 and 14.5	Item 6
(t) Transfer	Section 10.9 and Article 15	Item 17
(u) Renewal	Sections 16.2, 16.3, 16.4 and 16.5	Item 17
(v) Post-termination obligations	Section 17.4	Item 17
(w) Non-competition covenants	Article 19	Item 17
(x) Dispute resolution	Article 21	Item 17

## ITEM 10 FINANCING

Except as described below, neither we nor any agent or affiliate of ours offer any direct or indirect financing to Franchisees. We do not guarantee any notes, leases or other obligations of our Franchisees. Furthermore, we cannot predict if you will be able to obtain financing for any part of your investment in your franchise and, if so, the terms of the financing.

We may agree to finance a portion of your initial franchise fee. The maximum amount we finance is generally 50 percent of your initial franchise fee; provided that if you are located in an area of particular strategic importance to us, or if you have significant prior related experience, as determined by us, upon request we may agree to finance a larger percentage. We may also agree to finance some or all of the New Materials surcharge and Crestcom Sales Academy Program surcharge. Whether we will provide you any financing and the amount of financing we will provide are dependent on your location, your experience in marketing or conducting training programs, your creditworthiness, the funds available to us, the collateral available to secure the loan and various market considerations.

If we decide to finance a portion of these payments, you must execute a Promissory Note substantially in our then current form. Our current form of Promissory Note is attached to this Disclosure Document as Attachment D. The Promissory Note will be payable in equal monthly installments over a term of between 3 and 24 months and will bear interest at a rate of between 9 and 12 percent, all as determined by us based on the factors discussed above. The Promissory Note will be secured with collateral acceptable to us, including your franchise, or guaranteed by persons acceptable to us, or both. The persons who are acceptable to us to execute this guaranty may include each of your officers, directors, partners, or shareholders, and any member of your or their immediate families, and any Authorized Representatives, as defined in Item 15. The Promissory Note may be prepaid in whole or in part without penalty.

If you execute a Promissory Note, it will provide that if you fail to make any payment when due, we may accelerate the entire unpaid balance, which will become due at once. If the default is not cured within 10 days after notice of default to you, the entire principal balance will accrue default interest at the lesser of 18 percent per annum or the highest rate permitted by applicable law. On default, we may pursue the following remedies: (i) sue you for the default amount; (ii) proceed against any collateral pledged to secure the Promissory Note, which may involve you losing your franchise; (iii) sue any guarantor of the Promissory Note; or (iv) pursue any combination of these remedies. If there is a default, in addition to the amount due on the Promissory Note, you may be liable for our costs and expenses of collection, including reasonable attorneys' fees. We do not offer financing that requires you to confess judgment, but you will have to waive presentment, notice of protest, and protest. Legal actions by us related to the Promissory Note will be litigated in the courts of, or arbitrated in, the City and County of Denver, Colorado, at our option. Pursuant to the Promissory Note, Franchisees agree to submit to the personal jurisdiction of these courts and to binding arbitration, and agree to waive their rights to a jury trial.

We do not place financing with anyone, and therefore, we do not receive any payment for the placement of financing. In the past, we have not sold, assigned or discounted to a third party any note, contract or other instrument executed by a Franchisee, although we reserve the right to do so in the future.

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

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

**Pre-Opening Assistance.** Prior to your commencing operation of your CRESTCOM Business, we (or our designee) provide the following assistance and services to you (Section 7.1, Franchise Agreement ("FA")):

1. We will provide an initial classroom training program and an initial field training program as described below.
2. We will advise you regarding the selection of suppliers of equipment and other items used and Materials offered for sale in connection with your CRESTCOM Business. After execution of the Franchise Agreement, we will make available to you a list of approved suppliers, if any, of the equipment, items and Materials.
3. We may, in our discretion, make recommendations to you or establish requirements for you related to accounting and reporting systems to be used in your CRESTCOM Business.
4. We will provide you with our Fast Start Kit containing those items listed in Exhibit II of the Franchise Agreement. Alternately, we may provide you with a credit equivalent in dollar value to our price for the items included in the Fast Start Kit that may be used to acquire Materials and products from us.
5. We will make available to you, electronically or by any other means we choose, a copy of the Procedures Manual covering the proper operating and marketing techniques of a CRESTCOM Business and our standards and specifications.

**Continuing Obligations.** During the operations of your CRESTCOM Business, we (or our designee) must provide the following assistance and services to you (Section 9.1, FA):

1. On your reasonable request, we will consult with you by telephone or other electronic means regarding the continued operation and management of your CRESTCOM Business and advise you regarding sales and training techniques and the marketing of the Materials.

2. We will make available to you the advertising and promotional materials or other marketing information that we may periodically develop. We may pass the cost of these materials on to you by charging for the use or acquisition of the materials or information.

3. We will periodically provide sales leads and market information, as and if they become available to us.

4. In our discretion, we will provide you with on-going updates of information and ideas regarding the sales and management training techniques and other information related to the Licensed Methods, including information about new Live Instruction techniques which are developed by us. We may charge a fee for some or all of these services.

5. We will provide a newsletter to you that we may publish periodically.

6. We will make our training program available to your employees, agents and representatives during the term of your Franchise Agreement. We may charge a fee for this training.

7. We will support your efforts in engaging qualified Salespersons in your Assigned Area (Section 6.5, FA).

8. We will supply you with or make available the Materials you acquire, subject to the availability of the Materials within our own inventory. Our inventory of available Materials may be changed or discontinued by us. The terms of shipment, allocation, return, restocking, substitution, inventory mix of Materials and Materials inventory level requirements are provided in the Procedures Manual or other written information that we will provide to you (Section 9.3, FA).

9. If you qualify and elect to offer the Crestcom Sales Academy Program, we will provide the training for that program as described below.

10. You may, at your option, participate in our mentoring program. Under our mentoring program you will receive assistance in the development of your CRESTCOM Business from an existing Franchisee/mentor of ours for a designated period of time. We select the existing Franchisee/mentor to assist you. In order to participate in our mentoring program, you must fully comply with our learning procedures and any other prerequisites that we may impose. (Section 5.3, FA).

**Advertising Programs.** Franchisees must advertise and promote their CRESTCOM Businesses, although we do not require a Franchisee to expend a specific percentage of its gross revenues on advertising. Unless otherwise agreed to by us, you must follow and abide by our proprietary prescribed marketing plan, which is provided in our Procedures Manual. See Item 7 for a more detailed discussion of the fees you will incur in following our proprietary prescribed marketing plan. We do not collect an advertising fee and we are not required to spend any amount on advertising in the geographical area where you are or will be located.

You must abide by the advertising requirements in the Procedures Manual. Before conducting advertising of any kind, we must first approve your proposed advertising or promotional materials, including any advertising and promotional materials related to (a) your CRESTCOM Business, (b) the marketing of Materials or the marketing or conducting of Live Instruction, (c) the solicitation and promotion of Authorized Representatives, (d) the promotion and marketing of your CRESTCOM Business, and (e) the solicitation and promotion of any brokers or intermediaries you engage to promote or market your CRESTCOM Business. Any web pages and websites on the Internet constitute advertising requiring our approval. Modifications to any advertising, including any web pages or websites, require our approval. Our approval of any advertising or promotional materials may be withheld and withdrawn in our sole discretion.

We do not require Franchisees to participate in a local or regional advertising cooperative, although we reserve the right to do so in the future. We have not established any rules or regulations related to local or regional advertising cooperatives. We do not require Franchisees to participate in any other advertising fund program.

**Computer and Electronic Systems.** Franchisees must use a computer system in the operation of their CRESTCOM Businesses. We do not require any specific type or brand of computer and you may use a computer system that you currently own if it meets our requirements. The only current requirements for the computer system are that it must be capable of videoconferencing and connecting to the Internet for the purpose of sending and receiving e-mail and compatible with any software or programs we require you to use. If you do not have a computer system that meets our requirements, then you must acquire one.

You will need to obtain and use, as part of the computer system, videoconferencing equipment and software. There are currently no requirements or specifications for the type of videoconferencing equipment and software you are required to obtain.

In addition to the computer system described above, Franchisees must also acquire and use a portable DVD player, iPad, or other tablet computer in the operation of their CRESTCOM Business.

As of the date of this Disclosure Document, we do not have independent access to your computer system; however, no contractual restrictions exist concerning our ability to require you to give us independent access in the future. We do not require that you obtain any maintenance, servicing, updating or upgrading contracts for your computer system or for your iPad or tablet computer at this time, although we recommend that you do so and may require you to do so in the future. Neither we nor any third party acting on our behalf, including any affiliates of ours, are obligated to provide any ongoing maintenance, repairs, updates or upgrades for your system or for your iPad or tablet computer. The estimated cost of acquiring the required computer system, not including the videoconferencing equipment and software, ranges from \$0, if you already possess a computer system meeting our requirements, to \$1,400, if you will be purchasing the computer system. The estimated cost of acquiring the required videoconferencing equipment and software ranges from \$50 to \$75 and the estimated cost of acquiring the required portable DVD player, iPad, or other tablet computer ranges from \$100 to \$900. See Item 7 above.

We can in the future without any contractual limitation establish additional minimum specifications for the required computer system, software, and online programs, and require Franchisees to obtain at their cost and use additional types of computer equipment, software, and online programs (“Mandatory Computer Systems and Programs”), including software providing reporting, tracking, or accounting functions, which may be developed for and proprietary to us or offered by a third party. We may require you to pay us a fee for any Mandatory Computer Systems and Programs we provide, or you

may be required to make payments to a third party for other Mandatory Computer Systems and Programs. We also may require you to submit to us all information required by us that is created or generated by any Mandatory Computer Systems and Programs. We reserve the right to modify, upgrade, or discontinue any Mandatory Computer Systems and Programs, and to require different or new software programs that may be replacements of or additions to the Mandatory Computer Systems and Programs.

We will provide you an e-mail account with the domain name “crestcom.com.” For consistency throughout the system, Franchisees are required to use only the e-mail account provided by us in the operation of their CRESTCOM Businesses. The e-mail account we provide you cannot be used for any purpose not related to the operation of your CRESTCOM Business. Franchisees must check their e-mail account at least daily for incoming messages, and respond promptly and appropriately to all messages. We can discontinue your e-mail account or our website in the future, in which event you will need to obtain and maintain another e-mail account to be used exclusively in the operation of your CRESTCOM Business. We can modify the e-mail account or our website and our policies with respect to both. We may charge a fee for providing the e-mail account and for operating our website.

You will need to have a dedicated telephone line and number for your business telephone, with a voice mail system, which you check at least daily for incoming messages. You must respond promptly and appropriately to all messages.

**Site Selection Assistance.** We consider a CRESTCOM Business to be a home-based business and most of our Franchisees operate their CRESTCOM Businesses from their homes. If you want to operate your CRESTCOM Business from an office separate from your home, you may do so. We have no requirements for such an office space except that it must be located in your Assigned Area, and you must have selected your site and notified us of your business address prior to conducting the first training seminar or selling Materials through your CRESTCOM Business. Aside from designating your Assigned Area, we do not select or approve the area in which you select your site. We are not responsible for selecting and acquiring the premises for your CRESTCOM Business location.

**Time for Commencement of Operations.** You are considered to have commenced operations upon the later of the date of execution of your Franchise Agreement or the date of your completion of the initial training program, discussed below. Therefore, we estimate that the typical length of time between the signing of the Franchise Agreement and the opening of a CRESTCOM Business is approximately zero to ten days. Some factors that may affect this timing are pre-existing obligations, completion of training, and a Franchisee’s ability to secure financing. Once you commence operations of your CRESTCOM Business, you must remain active in the business. You are considered to be active so long as you continue to conduct monthly The BULLET PROOF<sup>®</sup> Manager training seminars, and after the second full calendar quarter of your Franchise Agreement you personally generate gross revenues of not less than the amount that would be earned from the enrollment of at least six attendees paying our then suggested U.S. minimum retail price per each calendar quarter.

**Additional Training Information.** The initial training program consists of an initial classroom training program, lasting approximately three days, and an initial field training program, lasting approximately three to four days. The actual length of your training program and your training schedule may be adjusted or waived by us based on your prior experience or training.

You, or, if you are an entity Franchisee, the principal owner of you responsible for the management of the CRESTCOM Business or another person you designate (the “Principal Representative”), and up to two additional individuals designated by you, may participate in our initial training program without charge of a tuition or fee, except that if you are acquiring your CRESTCOM

Business as the result of a transfer, you will be required to pay a transferee training fee of \$3,500. You are responsible for the transportation and living expenses of these individuals while attending the training program, although, as long as you are not receiving your CRESTCOM Business as the result of a transfer, we will reimburse you for one-half of the cost of transportation to and from the training site by the most economical means of travel for one individual. You or your Principal Representative, as applicable, must successfully complete the initial training program to our satisfaction prior to you commencing operation of your CRESTCOM Business.

The initial classroom training program will typically be conducted after execution of the Application Agreement, before the execution of the Franchise Agreement, and prior to the commencement of operation of the CRESTCOM Business. The initial field training program is typically conducted following the completion of the initial classroom training program and the execution of the Franchise Agreement, but it must also be completed prior to selling the Materials and conducting the first training seminar through the CRESTCOM Business. If you fail to complete the initial field training program to our satisfaction, the Franchise Agreement may be terminated and no portion of the initial franchise fee will be refunded to you. In some cases, in our sole discretion, prospective Franchisees may participate in the initial field training program prior to the initial classroom training program and execution of the Franchise Agreement.

You must have a Facilitator who is qualified to conduct all Live Instruction for your clients. You or your Principal Representative may serve as your Facilitator. Live Instruction must be conducted in a manner specifically authorized by us.

You must ensure that all of your Facilitators are qualified to conduct the Live Instruction in accordance with our minimum standards and specifications. In our discretion, we or our designee may periodically evaluate any Facilitator to determine his or her qualifications. If we determine or have reason to believe that any of your Facilitators is not qualified to provide Live Instruction, we will notify you in writing and the Facilitator will need to attend and successfully complete additional training at your sole expense. We reserve the right to establish a certification program for Facilitators, the terms, conditions, and requirements of which will be in the Procedures Manual, which you must comply with. This certification program may require that, at your sole expense, your Facilitators attend and complete additional training programs for which we may charge tuition or a fee in accordance with our then current published rates.

Training is supervised by our Chief Operating Officer, Dan Goliger. Mr. Goliger has 12 years of experience with us and in the field. Each of our instructors has demonstrated to us satisfactory knowledge of the topics they instruct, has at least two years experience with us and in the fields of their topics, and are overseen and reviewed by Mr. Goliger. On occasion, we may have one of our Franchisees, who has demonstrated to us their knowledge of operating a CRESTCOM Business, conduct some portions of our training programs. Sometimes, trainees will, as part of the initial field training program, accompany a Franchisee of ours who has demonstrated to us the knowledge of operating a CRESTCOM Business.

The instruction materials for the training programs include the Procedures Manual, handouts and video media presentations. The subjects covered in each of the training programs, and the general time devoted to each subject, are described below. Each of these programs may be modified in our discretion to meet the special needs of any individual trainee.

## TRAINING PROGRAM

### Initial Classroom Training

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location (See Note 1 below)
Business Structure	0.5	0	Denver, Colorado, U.S.A. metropolitan area or another location selected by us
Sales System Instruction	15	0	Denver, Colorado, U.S.A. metropolitan area or another location selected by us
Materials Information	1.5	0	Denver, Colorado, U.S.A. metropolitan area or another location selected by us
Marketing Strategies	2	0	Denver, Colorado, U.S.A. metropolitan area or another location selected by us
Customer Deliverables	1.5	0	Denver, Colorado, U.S.A. metropolitan area or another location selected by us
Administration	4.5	0	Denver, Colorado, U.S.A. metropolitan area or another location selected by us
<b>TOTALS</b>	<b>25</b>	<b>0</b>	

Note 1: The typical location for the initial classroom training, if the training is conducted in the Denver, Colorado, U.S.A. metropolitan area, is our headquarters. If the training is to be performed in another metropolitan area selected by us, the training is typically conducted at a conference room located in a hotel.



### **Initial Field Training**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location (See Note 1 below)</b>
Field Training	0	16-24	Denver, Colorado, U.S.A. metropolitan area or another location selected by us
<b>TOTALS</b>	0	16-24	

Note 1: The initial field training will be conducted by an existing Franchisee or one of our trainers, at the Franchisee's or trainer's business location.

We will provide additional training at a later date for qualifying Franchisees who choose to market the Crestcom Sales Academy Program. Prior to marketing the Crestcom Sales Academy Program, you or your Principal Representative must attend and complete to our satisfaction our Crestcom Sales Academy Program training. The Crestcom Sales Academy Program training lasts approximately a half day. There is no charge for participation in this training program. The actual length of this training program and the training schedule may be adjusted or waived by us based on your prior experience or training. You are responsible for the transportation and living expenses of you or your Principal Representative while attending the Crestcom Sales Academy Program training. The Crestcom Sales Academy Program training may administered in our sole discretion via a webinar online, or by in-person training which may be held separately or in conjunction with any Additional Training we conduct as defined below. In addition to this training program, we may make available to you podcasts related to the marketing and conduct of the Crestcom Sales Academy Program. During the 12 months preceding the date of this Disclosure Document, 60 percent of our Franchisees elected to market the Crestcom Sales Academy Program and enrolled in this corresponding training program.

### **Crestcom Sales Academy Program Training**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location (See Note 1 below)</b>
Follow-Up to Marketing, the Executive Overview, and Handling Concerns	1	0	Online or at a location selected by us
Pre-Meeting Talk, the Sales Academy Workshop, How to Use the Workbook, and How to Effectively Close the Sale	1	0	Online or at a location selected by us

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location (See Note 1 below)</b>
Review of the Facilitation of the Program	1	0	Online or at a location selected by us
Technical Aspects	1	0	Online or at a location selected by us
<b>TOTALS</b>	<b>4</b>	<b>0</b>	

Note 1: The Crestcom Sales Academy Program training may be held at our discretion via a webinar online rather than at a physical location. It may also be held in conjunction with an Additional Meeting at the same location. If a Franchisee participates in the training via webinar, it may take the training at its own pace and repeat subjects as desired.

We also conduct from time to time seminars, international or regional conventions, continuing development programs or other meetings (the “Additional Meetings”). You or your Principal Representative must attend any mandatory Additional Meetings we conduct, including our international convention each year. We may require you to attend up to one more mandatory Additional Meeting each year. As of the date of this Disclosure Document, we have never required any Franchisee to attend more than two mandatory Additional Meetings in any one year. Our experience shows that those Franchisees who attend our Additional Meetings perform better than those who do not.

We will give you at least 30 days prior written notice of any Additional Meeting that we deem mandatory, unless your attendance is waived by us. We have the right to waive the requirement for you or any other Franchisee, distributor, or Area Developer to attend any Additional Meeting. Our waiver of this requirement for any other Franchisee, distributor, or Area Developer does not in any way affect your obligation to attend.

We may allocate some or all of the costs incurred in holding the Additional Meetings, including expenses for the facility, travel and lodging expenses for the presenters, materials, food, activities and all other direct and indirect costs which are associated with holding these Additional Meetings, equally among the attendees. If we incur expenses for items or services specifically for the benefit of only a particular Franchisee, distributor, or Area Developer, or a particular group of Franchisees, distributors, or Area Developers, such as costs of an interpreter to translate communications into a language spoken by the Franchisee, distributor, Area Developer, or group (the “Limited Group Expenses”), then we may allocate some or all of those Limited Group Expenses to the particular Franchisee, distributor, or Area Developer, or equally among all members of the relevant group, to which they apply. Unless we agree otherwise, you must pay your pro-rata share of all of these costs if you or your Principal Representative attend a mandatory Additional Meeting. If you do not attend a mandatory Additional Meeting, unless we agree otherwise, you will be required to pay an amount equal to 125 percent of the pro rata amount attributable to each of the attendees of the mandatory Additional Meeting. At our sole option, we may choose to waive all or a portion of the costs of attendance for any attendees or non-attendees of any mandatory Additional Meeting without being obligated to waive any costs for other attendees or non-attendees of the same Additional Meeting. Our waiver of this requirement for any other Franchisee, distributor, or Area Developer does not in any way affect your payment obligation.

A single mandatory Additional Meeting may be held as multiple seminars, conventions, programs, or meetings at various locations or times, such as the annual regional meetings where a separate meeting is held in several different regions (the “Multiple Event Meetings”). For these Multiple Event Meetings, you will only need to attend that meeting or event in your region or as otherwise designated by us. Further, for each of these Multiple Event Meetings, an attendees’ pro rata share of the total cost, other than the Limited Group Expenses, may be determined by either (i) taking the total cost of holding all of the meetings and events included in the Multiple Event Meeting worldwide, and dividing that cost by the total number of Franchisees, distributors, and Area Developers who attended all of the meetings and events included in the Multiple Event Meeting worldwide; or (ii) taking the cost of holding only the single meeting or event that the relevant Franchisee attended, and dividing that cost by the number of Franchisees, distributors, and Area Developers who attended that single meeting or event.

You are responsible for the cost of all transportation and living expenses or related activities incurred while attending these programs. During our annual international convention and regional meetings, you are required to stay at the hotel where the primary functions are held, unless we agree otherwise, in which case, we may assess additional fees to you. Franchisees who fail to attend a program at which attendance is deemed mandatory may be required to attend and complete a make-up or alternative program at a location determined by us and be responsible for all costs associated with attending the make-up program.

We may periodically conduct videoconference training programs. You must participate in any mandatory videoconference training programs.

We offer a mentoring program to assist our Franchisees which you may participate in at your option, as described above in this Item 11.

**Procedures Manual.** You will be given the opportunity to review the Procedures Manual before you sign the Franchise Agreement. Before you review the Procedures Manual, you must execute a Application Agreement, a copy of which is attached to this Disclosure Document as Attachment B.

## **ITEM 12 TERRITORY**

**The Franchise Location.** You will operate your CRESTCOM Business from a specific location that is designated as the “Franchise Location” in the Franchise Agreement. The Franchise Location can be relocated within the Assigned Area upon prior written notice to us.

**The Assigned Area.** You must concentrate your efforts on marketing the Materials within the geographic area described in the Addendum to the Franchise Agreement as it is currently constituted (“Assigned Area”). An Assigned Area is usually part of a state or the entire state where a CRESTCOM Business is located. You will not receive an exclusive Assigned Area. You may face competition from other Franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. You cannot conduct any marketing activities (including marketing through other channels of distribution such as the Internet, catalog sales, telemarketing, or other direct marketing) outside of your Assigned Area or market the Materials in your Assigned Area for use outside of your Assigned Area without our approval, which may be withheld for any reason.

Without our prior written consent, you may not market the Materials or conduct, directly or indirectly, Live Instruction outside of your Assigned Area. We will typically give our consent unless the “Threshold Number” of “Qualifying Businesses,” as defined below, has already been reached in the

assigned area where you seek to market the Materials or conduct Live Instruction. We may also withhold our consent if, in our determination, it would be detrimental to the interests of our other Franchisees, distributors, Area Developers, or us.

**The Threshold Number of Qualifying Businesses.** Your rights to market the Materials and to market and conduct Live Instruction in the Assigned Area will not prevent us or another Franchisee or distributor of ours from marketing the Materials or marketing or conducting Live Instruction within the Assigned Area. However, when the number of Qualifying Businesses (defined below) in the Assigned Area reaches the Threshold Number (defined below), we will refrain from adding additional CRESTCOM Business franchises or our own CRESTCOM Businesses in the Assigned Area. A “Qualifying Business” is a CRESTCOM Business that in each calendar quarter generates gross revenues equal to the dollar amount that would be realized from the enrollment of at least 18 attendees in The BULLET PROOF® Manager training program at our then recommended U.S. minimum retail price. The recommended U.S. minimum retail price for attendees of The BULLET PROOF® Manager training program is currently \$4,320. This recommended retail price is stated in the Procedures Manual and is subject to change. The sales made by any Salespersons and PSRs directly employed by a Franchisee will be included in that CRESTCOM Business’ sales results for purposes of determining if that CRESTCOM Business is a Qualifying Business. The “Threshold Number” is equal to one Qualifying Business for each 1 million or fraction thereof in population in a Franchisee’s assigned area.

If, after attaining the Threshold Number, the number of Qualifying Businesses in the Assigned Area falls below the Threshold Number, then without further notice to you we may resume adding franchised CRESTCOM Businesses or our own CRESTCOM Businesses in the Assigned Area. We may continue to do so until the number of Qualifying Businesses in the Assigned Area again equals or exceeds the Threshold Number. We do not warrant that you or other Franchisees in your Assigned Area, or elsewhere, will achieve or maintain Qualifying Businesses status.

**The Minimum Monthly Obligations.** After the second full calendar quarter following the execution of your first Franchise Agreement, you will be required to meet and maintain minimum performance requirements. Beginning with the third full calendar quarter after the execution of your Franchise Agreement your CRESTCOM Business must average gross revenues on a monthly basis over each calendar quarter equal to the dollar amount that would be realized from at least two paying attendees of The BULLET PROOF® Manager training program based on our then recommended U.S. minimum retail price. The applicable requirement will be referred to as the “Minimum Monthly Requirement” in this Disclosure Document. The recommended U.S. minimum retail price for attendees of The BULLET PROOF® Manager training program is currently \$4,320. You may charge a fee for attendance at The BULLET PROOF® Manager training program that is higher or lower than our recommended U.S. minimum retail price. This recommended retail price is stated in the Procedures Manual and is subject to change. Any sales of Materials made by Salespersons retained by you shall be credited toward your sales of Materials for purposes of determining whether your CRESTCOM Business has satisfied its minimum sales requirements.

If during any calendar quarter you fail to, on average, meet the Minimum Monthly Requirement, then (i) you must immediately after the end of the applicable calendar quarter pay us the difference between the Distribution Fees and Royalty Fees due based on gross revenues equal to the Minimum Monthly Requirement (the “Minimum Monthly Fees”) for the three months of that calendar quarter and the actual Distribution Fees and Royalty Fees paid to us by you during that calendar quarter (which difference shall be referred to as the “Initial Quarter MMR Fee”), and (ii) starting the next month and continuing each following month, you must pay us the greater of the Minimum Monthly Fees or the actual Distribution Fees and Royalty Fees due for that month. Once you commence paying Minimum

Monthly Fees, if the total Distribution Fees and Royalty Fees that are actually paid by you during any month do not equal or exceed the Minimum Monthly Fees due for that month, on or before the last working day of that month you will pay us the difference between the Minimum Monthly Fees and the amount of Distribution Fees and Royalty Fees actually paid (the “Ongoing Monthly MMR Fee,” and together with the Initial Quarter MMR Fee, the “MMR Fees”). Once paid, we will credit the MMR Fees against any Distribution Fees and Royalty Fees owed by you in a subsequent month to the extent that the fees owed in that month exceed the Minimum Monthly Fees due for that month. Except for applying the MMR Fee as described above, no portion of the MMR Fee is refundable once paid. If you fail to pay us at least the Minimum Monthly Fees in any month during the remainder of the term of the Franchise Agreement you will be in default of the Franchise Agreement. In that case, we will have the right to terminate the Franchise Agreement. We may waive any default in our sole discretion.

We have the right, in our sole discretion and on a case-by-case basis, to waive the obligation of you or any other Franchisee to meet the Minimum Monthly Requirement or pay the MMR Fees in any month. A waiver by us of this obligation for one or more other Franchisees does not in any way affect your obligation to meet the Minimum Monthly Requirement or pay the MMR Fees.

**Principal Marketing Areas.** In regions where multiple Franchisees of ours share the same assigned area, or in areas where multiple Franchisees of ours otherwise market the Materials in close proximity to each other, we have created programs granting limited, semi-exclusive protected territories called “Principal Marketing Areas” within the assigned area. We call these marketing programs “PMA Programs.” The terms, conditions, policies, and procedures of any PMA Program established by us shall be stated in the Procedures Manual or in other written materials that we will provide. We may modify the PMA Program in our discretion. If we have already created a PMA Program with your Assigned Area, you must abide by the terms, conditions, policies, and procedures of that program. If following the execution of the Franchise Agreement we create a PMA Program in your Assigned Area, or in an area with different assigned areas that include some or all of your Assigned Area, you must participate in the PMA Program, and cooperate and comply with all of the terms, conditions, policies, and procedures instituted by us related to that PMA Program. The terms, conditions, policies, and procedures of different PMA Programs may vary from one another. The Principal Marketing Areas and their geographical boundaries may be changed by us periodically.

**Other Rights.** Except as described above with respect to the performance requirements, the continuation of your rights described in this Item 12 during the term of the Franchise Agreement is not dependent on achieving any certain sales volume, market penetration or similar contingency or other circumstances.

The Franchise Agreement gives you no options, rights of first refusal, or similar options to acquire any additional franchises from us, although we may in our discretion offer you the right to acquire additional franchises in the future.

**Our Reserved Rights.** Your franchise rights are nonexclusive. We may do any or all of the following, without any compensation to you: (1) use and license the use of the Marks and Licensed Methods (a) for the operation of CRESTCOM Businesses anywhere, including in your Assigned Area, subject only to Threshold Number of Qualifying Business restrictions described above; (b) for the operation of Area Developer businesses anywhere, including in your Assigned Area; or (c) in connection with the production and sale of new or additional Materials, Live Instruction, or other promotional, marketing, or related items for use in a CRESTCOM Business, without regard to location; (2) establish alternative channels of distribution, which include marketing and distribution of the Materials via the Internet, the Electronic Transmission methods defined in Item 16 or other electronic transmissions,

catalog sales, social media, telemarketing and other direct marketing sales channels, which may or may not use the Marks; (3) establish alternative channels of delivery, which include the Electronic Transmission methods, webinars, social media, and other electronic transmissions, other than electronic transmissions in conjunction with Live Instruction, for the Materials or any training programs of ours, which may or may not use the Marks, and in conjunction with any alternative channel of delivery, authorize the marketing and sale of such Materials or any training programs through other distribution systems at any location, including in your Assigned Area; (4) retire, cease to produce, cease to offer, or otherwise terminate the right to market, distribute, sell or otherwise offer to third parties any older versions of the Materials, while continuing to offer such older versions of the Materials through alternative channels of distribution or by alternative channels of delivery; (5) create, produce, market and sell products or services of any kind, which may be the same as, similar to, or different from those offered by a CRESTCOM Business, utilizing proprietary marks that are not the same as or confusingly similar to the Marks, and not now or in the future designated as part of the Crestcom system licensed under the Franchise Agreement or otherwise used in a CRESTCOM Business, and authorize the marketing and sale of these other products and services through other distribution systems at any location, including in your Assigned Area, whether or not in alternative channels of distribution or using alternative channels of delivery; and (6) grant training personalities appearing on the Materials the right to market or use the Materials or similar materials in the conduct of their businesses, in their live presentations, or in connection with their personal appearances, at any location, including in your Assigned Area. All of these rights may be exercised on any terms and conditions as we deem advisable, without granting you any rights in them.

We can acquire or be acquired by, or engage in any other transaction with, other companies, which may be competitive or not with us or a CRESTCOM Business. These arrangements may include converting other companies to the Crestcom system, or converting company-owned, franchised or other businesses (including your CRESTCOM Business) to another format (whether competitive or not), or both. The other companies and CRESTCOM Businesses may be maintained as the same concept, as a new concept, or as a separate concept. These concepts may be located anywhere, including in your Assigned Area. You must fully cooperate with any of these conversions, at your sole expense.

### **ITEM 13 TRADEMARKS**

The Franchise Agreement grants you the nonexclusive right to use our Marks and various designs and logotypes associated with our management, sales and personnel development training programs and materials. The term “Marks” means trademarks, trade names, service marks and logos used to identify CRESTCOM Businesses.

We own the following principal Marks, which are registered with the United States Patent and Trademark Office on the Principal Register:

<b>Mark</b>	<b>Effective Date</b>	<b>Registration No.</b>
CRESTCOM®	July 10, 1993	1,783,133
CRESTCOM TRAINERS TO THE WORLD® with design	November 4, 1997	2,110,568
BULLET PROOF®	November 5, 1996	2,013,084
TRAINERS TO THE WORLD®	October 28, 1997	2,108,719

The registration of each of these Marks has been renewed. We intend to further renew the registrations of some or all of these Marks at the appropriate time. We have filed all required affidavits related to the registration of these Marks.

You must use all of our Marks in compliance with the terms of the Franchise Agreement. You cannot use the words, “CREST,” “INTERNATIONAL,” “CRESTCOM,” “THE BULLET PROOF MANAGER,” “BULLET PROOF,” “BPM,” “KREST” or “KRESTCOM” or any portions or variations of them, as part of your business name. You cannot use any of our Marks or the words above, or variations of them, as part of an electronic mail address, domain name, or on any websites on the Internet including social networking websites, or otherwise display them on the Internet in any manner, without our prior written consent. You cannot use any of our Marks or the words above, or any variations of them, with modifying words, designs, or symbols except as we may license to you, without our prior written consent. You may not use our Marks with an unauthorized product or service, or in a manner not authorized in writing by us. You must modify or discontinue your use of our Marks if we require the modification or discontinuance of them, at your own expense.

To our knowledge, there are no agreements in effect that significantly limit our rights to use or license the use of our Marks in any manner. To our knowledge, there are no presently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or any pending material litigation involving any of our Marks which are relevant to their use in this state.

We will protect you against claims of infringement or unfair competition involving the Marks, when you are using the Marks in compliance with your Franchise Agreement, if, in the opinion of our counsel, the circumstances justify our intervention. If we decide to protect you, we will reimburse you for your costs, including attorney’s fees and court costs, associated with any litigation we commence or defend on your behalf to protect the licensed Marks and your rights to use them, from amounts we recover in the litigation (if any), which are in excess of our costs. You are obligated to fully cooperate with us in any litigation we commence or defend for your benefit. If we do not elect to protect you against claims of infringement or unfair competition, you may take steps to protect yourself at your own expense. We will control all proceedings and litigation involving our Marks, except that you will control your defense if we have elected not to protect you against claims of infringement or unfair competition.

We are not aware of any superior prior rights or infringing use of our names or Marks that could materially affect your use of them.

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

**Patents and Copyrights.** No patents or pending patent applications are material to the franchise.

We claim a copyright to the Materials which are to be utilized by you, and the proprietary rights to certain other materials and elements of the Licensed Methods. We own the following copyrights which are material to your CRESTCOM Business:

Title	Registration No.	Issue Date
“How To Provide Gold Standard Customer Service” Video	PA 1-039-113	4/24/01
“How To Provide Gold Standard Customer Service” Participant & Facilitator Packet	TX 5-377-692	4/24/01
“Establishing Goals And Priorities” Video	PA 1-039-110	4/24/01
“Establishing Goals And Priorities” Participant & Facilitator Packet	TX 5-335-244	4/24/01
“How To Win The Negotiating Game” Video	PA 1-038-709	4/24/01
“How To Win The Negotiating Game” Participant & Facilitator Packet	TX 5-377-689	4/24/01
“The Visionary Leader” Video	PA 1-039-108	4/24/01
“The Visionary Leader” Participant & Facilitator Packet	TX 5-377-691	4/24/01
“Strategies For Effective Meetings And Presentations” Video	PA 1-039-111	4/24/01
“Strategies For Effective Meetings And Presentations” Participant & Facilitator Guide	TX 5-377-693	4/24/01
“Managing The Velocity Factor” Video	PA 1-039-112	4/24/01
“Managing The Velocity Factor” Participant & Facilitator Guide	TX 5-377-690	4/24/01
“Managing The Challenge Of Change” Video	PA 1-033-642	5/8/01
“Managing The Challenge Of Change” Participant & Facilitator Guide	TX 5-367-864	5/8/01
“Solving The Management Puzzle” Video	PA 1-035-814	5/8/01
“Solving The Management Puzzle” Participant & Facilitator Guide	TX 5-367-863	5/8/01
“The Quest For Excellence” Video	PA 1-033-647	5/8/01
“The Quest For Excellence” Participant & Facilitator Guide	TX 5-204-616	5/8/01
“How To Survive And Thrive Under Stress” Video	PA 1-033-649	5/8/01
“How To Survive And Thrive Under Stress” Participant & Facilitator Guide	TX 5-204-615	5/8/01
“How To Conduct Performance Appraisals” Video	PA 1-065-304	9/10/01
“How To Conduct Performance Appraisals” Participant & Facilitator Guide	TX 5-475-327	9/10/01
“Eight Keys To Development Leadership” Video	PA 1-121-415	9/17/01
“Eight Keys To Development Leadership” Participant & Facilitator Guide	TX 5-704-918	9/17/01
“How To Avoid Hiring And Recruiting Mistakes” Video	PA 1-121-226	9/10/01
“How To Avoid Hiring And Recruiting Mistakes” Participant & Facilitator Guide	TX 5-704-523	9/10/01
“The Attitude And Altitude Connection” Video	PA 1-084-528	9/10/01



<b>Title</b>	<b>Registration No.</b>	<b>Issue Date</b>
“The Attitude And Altitude Connection” Participant & Facilitator Guide	TX 5-530-053	9/10/01
“Personal Communication Skills” Video	PA 1-084-521	9/10/01
“Personal Communication Skills” Participant & Facilitator Guide	TX 5-530-046	9/10/01
“How To Deal With Workplace Mistakes” Video	PA 1-121-416	9/10/01
“How To Deal With Workplace Mistakes” Participant & Facilitator Guide	TX 5-704-919	9/10/01
“How To See Your Company Through Your Customer’s Eyes” Video	PA 1-060-977	9/10/01
“How To See Your Company Through Your Customer’s Eyes” Participant & Facilitator Guide	TX 5-431-311	9/10/01
“The Leadership Secret” Video	PA 1-084-520	9/10/01
“The Leadership Secret” Participant & Facilitator Guide	TX 5-530-045	9/10/01
“Creative Leadership Or Thinking Outside The Box” Video	PA 1-060-978	9/10/01
“Creative Leadership Or Thinking Outside The Box” Participant & Facilitator Guide	TX 5-623-618	9/14/01
“Building A Personal Success Foundation” Video	PA 1-084-525	9/10/01
“Building A Personal Success Foundation” Participant & Facilitator Guide	TX 5-530-050	9/10/01
“How To Manage Diverse Personalities” Video	PA 1-084-523	9/10/01
“How To Manage Diverse Personalities” Participant & Facilitator Guide	TX 5-530-048	9/10/01
“Are You Mismanaging Yourself?” Video	PA 1-087-074	9/10/01
“Are You Mismanaging Yourself?” Participant & Facilitator Guide	TX 5-530-453	9/10/01
“Motivating For Peak Performance” Video	PA 1-084-524	9/10/01
“Motivating For Peak Performance” Participant & Facilitator Guide	TX 5-530-049	9/10/01
“How To Use Your IQ To Increase Your EQ” Video	PA 1-084-522	9/18/01
“How To Use Your IQ To Increase Your EQ” Participant & Facilitator Guide	TX 5-530-047	9/18/01
Training and Procedures Manual	TX 5-956-694	5/5/04
“Effective Phone Communication” DVD	PA 1-341-487	10/13/06
“The Listening Advantage” DVD	PA 1-341-486	10/13/06
“Creating Leaders Through Mentoring” DVD	PA 1-341-485	10/13/06
“The 70 Minute Hour” DVD	PA 1-341-488	10/13/06
“How To Be A Transformational Leader” DVD	PA 1-341-484	10/13/06
“How to Exceed Customer Expectations” DVD	PA 1-341-483	10/13/06
“How To Tap The Creativity Of Your Management Team” DVD	PA 1-341-482	10/13/06
“Seven Steps To Effective Delegation” DVD	PA 1-341-481	10/13/06
“How To Help Employees Be Their Best” DVD	PA 1-341-480	10/13/06
“How To Develop And Maintain Rapport” DVD	PA 1-341-479	10/13/06
“Executive Overview/Management Skills Workshop” DVD	PA 1-341-478	10/13/06
“Effective Planning A Seven Step Formula” DVD	PA 1-341-477	10/13/06
“Using Strategic Thinking To Improve Strategic Planning” DVD	PA 1-341-476	10/13/06
“How To Connect Communicate At A Higher Level” DVD	PA 1-341-475	10/13/06

<b>Title</b>	<b>Registration No.</b>	<b>Issue Date</b>
“Negotiating To Win” DVD	PA 1-341-474	10/13/06
“The Key To Higher Performance” DVD	PA 1-341-473	10/13/06
“Motivating Through Positive Communication” DVD	PA 1-341-472	10/13/06
“How To Deal With Difficult Customers” DVD	PA 1-341-471	10/13/06
“How To Become A Stress Buster” DVD	PA 1-341-470	10/13/06
“Increasing Productivity Through Motivated People” DVD	PA 1-341-469	10/13/06
“Developing a Time Investment Strategy” DVD	PA 1-341-468	10/13/06
“How To Hire Train And Reward Employees” DVD	PA 1-341-467	10/13/06
“Projecting A More Positive Self Image” DVD	PA 1-341-489	10/13/06
“Dealing With Difficult People” DVD	PA 1-349-089	10/13/06
“Leaders Make Change Work” DVD	PA 1-349-090	10/13/06
“How To Exceed Customer Expectations” BPM IV Participant Packet	TX 6-894-568	10/22/07
“Recognition: The Key to Higher Performance” BPM IV Participant Packet	TX 6-894-839	10/22/07
“How to Become a Stress Buster” BPM IV Participant Packet	TX 6-894-823	10/22/07
“How to Tap the Creativity of Your Management Team” BPM IV Participant Packet	TX 6-894-828	10/22/07
“Increasing Productivity Through Motivated People” BPM IV Participant Packet	TX 6-893-866	10/22/07
“How to Develop & Maintain Rapport” BPM IV Participant Packet	TX 6-893-826	10/22/07
“How to Deal with Difficult Customers” BPM IV Participant Packet	TX 6-893-759	10/22/07
“Leaders Make Change Work” BPM IV Participant Packet	TX 6-893-746	10/22/07
“The 70-Minute Hour” BPM IV Participant Packet	TX 6-893-711	10/22/07
“Effective Planning: A Seven-Step Formula” BPM IV Participant Packet	TX 6-895-645	10/22/07
“Dealing with Difficult People” BPM IV Participant Packet	TX 6-895-631	10/22/07
“How to be a Transformational Leader” BPM IV Participant Packet	TX 6-894-603	10/22/07
“Effective Telephone Communication” BPM IV Participant Packet	TX 6-893-706	10/22/07
“How to Help Employees be Their Best” BPM IV Participant Packet	TX 6-893-719	10/22/07
“How to Connect: Communicate at a Higher Level” BPM IV Participant Packet	TX 6-893-726	10/22/07
“Motivating Through Positive Communication” BPM IV Participant Packet	TX 6-893-767	10/22/07
“Seven Steps to Effective Delegation” BPM IV Participant Packet	TX 6-893-776	10/22/07
“Using Strategic Thinking to Improve Strategic Planning” BPM IV Participant Packet	TX 6-893-847	10/22/07
“Developing a Time Investment Strategy” BPM IV Participant Packet	TX 6-894-702	10/22/07

<b>Title</b>	<b>Registration No.</b>	<b>Issue Date</b>
“Creating Leaders Through Mentoring” BPM IV Participant Packet	TX 6-894-640	10/22/07
“How to Hire, Train and Reward Employees” BPM IV Participant Packet	TX 6-894-633	10/22/07
“Projecting a More Positive Self-Image” BPM IV Participant Packet	TX 6-894-591	10/22/07
“The Listening Advantage” BPM IV Participant Packet	TX 6-894-708	10/22/07
“Negotiating to Win” BPM IV Participant Packet	TX 6-894-616	10/22/07
“How To Exceed Customer Expectations” BPM IV Facilitator Script	TX 6-896-127	10/22/07
“Recognition: The Key to Higher Performance” BPM IV Facilitator Script	TX 6-896-122	10/22/07
“How to Become a Stress Buster” BPM IV Facilitator Script	TX 6-896-160	10/22/07
“How to Tap the Creativity of Your Management Team” BPM IV Facilitator Script	TX 6-895-665	10/22/07
“Increasing Productivity Through Motivated People” BPM IV Facilitator Script	TX 6-894-182	10/22/07
“How to Develop & Maintain Rapport” BPM IV Facilitator Script	TX 6-894-168	10/22/07
“How to Deal with Difficult Customers” BPM IV Facilitator Script	TX 6-894-153	10/22/07
“Leaders Make Change Work” BPM IV Facilitator Script	TX 6-893-930	10/22/07
“The 70-Minute Hour” BPM IV Facilitator Script	TX 6-894-155	10/22/07
“Effective Planning: A Seven-Step Formula” BPM IV Facilitator Script	TX 6-892-764	10/22/07
“Dealing with Difficult People” BPM IV Facilitator Script	TX 6-892-740	10/22/07
“How to be a Transformational Leader” BPM IV Facilitator Script	TX 6-896-180	10/22/07
“Effective Telephone Communication” BPM IV Facilitator Script	TX 6-893-925	10/22/07
“How to Help Employees be Their Best” BPM IV Facilitator Script	TX 6-893-906	10/22/07
“How to Connect: Communicate at a Higher Level” BPM IV Facilitator Script	TX 6-893-917	10/22/07
“Motivating Through Positive Communication” BPM IV Facilitator Script	TX 6-894-162	10/22/07
“Seven Steps to Effective Delegation” BPM IV Facilitator Script	TX 6-894-165	10/22/07
“Using Strategic Thinking to Improve Strategic Planning” BPM IV Facilitator Script	TX 6-894-173	10/22/07
“Developing a Time Investment Strategy” BPM IV Facilitator Script	TX 6-894-186	10/22/07
“Creating Leaders Through Mentoring” BPM IV Facilitator Script	TX 6-895-177	10/22/07
“How to Hire, Train and Reward Employees” BPM IV Facilitator Script	TX 6-895-183	10/22/07
“Projecting a More Positive Self-Image” BPM IV Facilitator Script	TX 6-895-189	10/22/07

<b>Title</b>	<b>Registration No.</b>	<b>Issue Date</b>
“The Listening Advantage” BPM IV Facilitator Script	TX 6-895-812	10/22/07
“Negotiating to Win” BPM IV Facilitator Script	TX 6-896-140	10/22/07
Six Steps To Effective Mentoring Facilitator’s Guide	TX 7-698-645	3/12/13
The Road to Negotiating Success Facilitator’s Guide	TX 7-698-533	3/12/13
Create A Blueprint For Team Success Facilitator’s Guide	TX 7-698-531	3/12/13
How To Inspire Innovation Facilitator’s Guide	TX 7-698-528	3/12/13
How To Create Consensus Facilitator’s Guide	TX 7-698-526	3/12/13
The Leader’s Mindset Facilitator’s Guide	TX 7-698-524	3/12/13
Lead Your Team Through Change Facilitator’s Guide	TX 7-698-609	3/12/13
How To Improve Workplace Performance Facilitator’s Guide	TX 7-698-515	3/12/13
Increase Accountability And Responsibility Facilitator’s Guide	TX 7-698-511	3/12/13
Stimulate Strategic Thinking Facilitator’s Guide	TX 7-698-501	3/12/13
Take Your Job Seriously, Take Yourself Lightly Facilitator’s Guide	TX 7-698-497	3/12/13
Deliver Results The First Time Facilitator’s Guide	TX 7-698-694	3/12/13
Raise The Customer Service Crossbar Facilitator’s Guide	TX 7-698-534	3/12/13
Develop Effective And Devoted Employees Facilitator’s Guide	TX 7-698-520	3/12/13
Ten Ways To Increase Morale And Motivation Facilitator’s Guide	TX 7-697-498	3/11/13
How To Be An Effective Problem Solver Facilitator’s Guide	TX 7-697-447	3/11/13
Strategies For Dealing With Dissatisfied Customers Facilitator’s Guide	TX 7-697-438	3/11/13
Techniques For Managing Personality Styles Facilitator’s Guide	TX 7-697-448	3/11/13
Communicate With Impact Facilitator’s Guide	TX 7-697-499	3/11/13
Managing Strategic Change Facilitator’s Guide	TX 7-697-659	3/11/13
Managing Time For Maximum Results Facilitator’s Guide	TX 7-697-645	3/12/13
Better Performance Through Better Team Work Facilitator’s Guide	TX 7-697-653	3/11/13
Conflict Resolution Techniques Facilitator’s Guide	TX 7-697-644	3/11/13
Leadership Strategies Facilitator’s Guide	TX 7-695-727	3/8/13
Leadership Strategies Participant Packet	TX 7-691-732	3/13/13
Communicate With Impact Participant Packet	TX 7-691-658	3/13/13
How To Be An Effective Problem Solver Participant Packet	TX 7-691-734	3/13/13
Techniques For Managing Personality Styles Participant Packet	TX 7-691-719	3/13/13
Ten Ways To Increase Morale And Motivation Participant Packet	TX 7-691-654	3/13/13
Strategies For Dealing With Dissatisfied Customers Participant Packet	TX 7-691-715	3/13/13
Lead Your Team Through Change Participant Packet	TX 7-691-643	3/13/13
Deliver Results The First Time Participant Packet	TX 7-691-645	3/13/13
Take Your Job Seriously, Take Yourself Lightly Participant Packet	TX 7-691-633	3/13/13
Stimulate Strategic Thinking Participant Packet	TX 7-691-642	3/13/13
Increase Accountability And Responsibility Participant Packet	TX 7-691-635	3/13/13

<b>Title</b>	<b>Registration No.</b>	<b>Issue Date</b>
How To Improve Workplace Performance Participant Packet	TX 7-691-640	3/13/13
Develop Effective And Devoted Employees Participant Packet	TX 7-691-638	3/13/13
The Leader's Mindset Participant Packet	TX 7-691-644	3/13/13
How To Create Consensus Participant Packet	TX 7-691-733	3/13/13
How To Inspire Innovation Participant Packet	TX 7-691-655	3/13/13
Create A Blueprint For Team Success Participant Packet	TX 7-691-651	3/13/13
The Road To Negotiating Success Participant Packet	TX 7-691-653	3/13/13
Six Steps To Effective Mentoring Participant Packet	TX 7-691-650	3/13/13
Managing Strategic Change Participant Packet	TX 7-691-599	3/13/13
Raise The Customer Service Crossbar Participant Packet	TX 7-691-647	3/13/13
Conflict Resolution Techniques Participant Packet	TX 7-691-731	3/13/13
Better Performance Through Better Team Work Participant Packet	TX 7-691-729	3/13/13
Managing Time For Maximum Results Participant Packet	TX 7-691-727	3/13/13
Ten Ways to Increase Morale and Motivation	PA 1-832-277	3/13/13
The Road To Negotiating Success	PA 1-832-349	3/13/13
Six Steps to Effective Mentoring	PA 1-832-357	3/13/13
Lead Your Team Through Change	PA 1-832-356	3/13/13
Deliver Results The First Time	PA 1-832-355	3/13/13
Raise the Customer Service Crossbar	PA 1-832-352	3/13/13
Develop Effective and Devoted Employees	PA 1-832-363	3/13/13
Leadership Strategies	PA 1-832-354	3/13/13
Conflict Resolution Techniques	PA 1-832-316	3/13/13
Better Performance Through Better Team Work	PA 1-832-374	3/13/13
Managing Time for Maximum Results	PA 1-832-372	3/13/13
Managing Strategic Change	PA 1-832-291	3/13/13
Communicate with Impact	PA 1-832-370	3/13/13
How to be an Effective Problem Solver	PA 1-832-367	3/13/13
Strategies for Dealing with Dissatisfied Customers	PA 1-832-365	3/13/13
Increase Accountability and Responsibility	PA 1-832-364	3/13/13
How To Improve Workplace Performance	PA 1-832-318	3/13/13
The Leader's Mindset	PA 1-832-361	3/13/13
How To Create Consensus	PA 1-832-359	3/13/13
How to Inspire Innovation	PA 1-832-358	3/13/13
Create a Blueprint for Team Success	PA 1-832-353	3/13/13
Techniques for Managing Personality Styles	PA 1-832-287	3/13/13
Stimulate Strategic Thinking	PA 1-832-350	3/13/13
Take Your Job Seriously, Take Yourself Lightly	PA 1-832-351	3/13/13

All of these registered copyrights and our other registered copyrights have a duration of 95 years from the date of publication under U.S. law. We also claim a copyright to our other training materials.

These copyrighted items are among the Materials you will market throughout the term of the Franchise Agreement. The Franchise Agreement does not provide you a promise or guarantee that any particular item within our current inventory of Materials will continue to exist. If any of the Materials become unavailable or obsolete, or should we desire to change the Materials for any reason, we may eliminate any of our Materials from our inventory. Some training personalities featured in the Materials may have reserved the right to market a limited number of those portions of the Materials that feature them.

We know of no effective determinations by any administrative office or court, or any pending administrative or judicial proceedings respecting our copyright which is material to you, nor are there any agreements affecting our or your use of any Materials in which we have a copyright. We have no obligations to protect or defend the use of any Materials by you in which we may claim a copyright. There are no infringing uses actually known to us which could materially affect your use of any Materials in which we have or may claim a copyright. We intend to renew the copyright registration, if appropriate, at the time of expiration. We may, at our discretion, substitute for, or discontinue the usage of any Materials.

**Confidential Procedures Manual and Other Information.** Our Procedures Manual and related materials are proprietary and confidential. They are our property to be used by you only as described in and during the term of the Franchise Agreement. The Procedures Manual, Materials, and other materials that contain our Marks or are otherwise proprietary to us must be returned to us, or deleted if stored electronically, if your Franchise Agreement expires or is terminated for any reason. You may not use our confidential information in any unauthorized manner and you must take reasonable steps to prevent its disclosure to others. We may, in our discretion, require you and each of your officers, partners, directors and beneficial owners who become aware of or have access to our confidential information to execute our Nondisclosure and Noncompetition Agreement in the form attached to this Disclosure Document as Attachment C.

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

Franchisees or their Principal Representatives must devote their best, full time efforts toward the management and operation of their CRESTCOM Businesses.

If you are an entity Franchisee, your principal owner must be approved by us in writing prior to serving as your Principal Representative. You, or if applicable, your Principal Representative, is required to successfully complete our mandatory initial training program.

Franchisees are responsible for hiring any employees, independent agents, Facilitators, telemarketers or other representatives of their CRESTCOM Businesses (collectively referred to as the “Authorized Representatives”).

Facilitators must be qualified to conduct Live Instruction.

In addition to yourself or your Principal Representative, as applicable, you may, at your option and with our prior written consent, engage up to two individuals who are acceptable to us as Authorized Representatives who are authorized to market the Materials in your Assigned Area. These persons may be employees or independent contractors of your CRESTCOM Business acting as Salespersons. We recommend you consult your attorney or another person who can advise you of the proper relationship for

any Salesperson you engage in your Assigned Area. If you elect to retain a Salesperson to market the Materials in the Assigned Area, you may pay him or her on such terms as the two of you shall agree. You may negotiate the terms of that relationship, except that all agreements between you, or your CRESTCOM Business, and the Salesperson must be approved by us and must provide that we are allowed to enforce the agreements directly against the Salesperson. The maximum number of Salespersons you may engage at any time is two without our prior consent, which may be granted or withheld in our sole discretion. Salespersons are retained directly by you and are not Franchisees of ours. If you comply with our PSR Program, then one or both of the Salespersons you engage may be a PSR, provided he or she is deemed suitable under the PSR Assessment.

You may also employ up to two additional telemarketing personnel. Other Franchisees in your Assigned Area will also have the right to engage Salespersons, including PSRs, and telemarketing personnel to market the Materials.

All Authorized Representatives must be screened to ensure that they will not reflect adversely on the reputation of our image and system. All of your Authorized Representatives must be approved in advance by us. We will approve an individual to serve as an Authorized Representative if that individual demonstrates to us that he or she has the skill set for the particular position, reflects the professionalism of the Crestcom system, is of good character, and, if applicable, has satisfactorily completed our training program. The Procedures Manual contains forms of agreements that you must execute with your Authorized Representatives. All of your agreements with your Authorized Representatives, including your Salespersons, must be in a form furnished by us or otherwise approved by us and must provide that we are allowed to enforce the agreements directly against the Authorized Representative. You must keep us informed of the names, addresses, e-mail contact information and telephone numbers of all Authorized Representatives. The number of people associated with any one CRESTCOM Business authorized to engage in the marketing and telemarketing of the Materials may be changed in our discretion, by change to the Procedures Manual. We may also, at our discretion, make other changes to the Procedures Manual.

We may require you to cause each of your officers, directors, partners or shareholders, and any member of your or their immediate families, and any Authorized Representatives, to execute our standard Nondisclosure and Noncompetition Agreement (a copy of which is attached to this Disclosure Document as Attachment C), and our standard Personal Guaranty (a copy of which is attached to the Franchise Agreement as Exhibit IV). If we require any immediate family member to execute our standard Nondisclosure and Noncompetition Agreement following your execution of the Franchise Agreement, you must use your best efforts to cause the execution of that agreement. You must provide us a copy of each Nondisclosure and Noncompetition Agreement at the time it is signed and upon our request. In addition, all of your clients, purchasers, agents or others acquiring access to the Materials by or through you, will be required to execute a contract substantially in the form provided in our Procedures Manual (the "Training Agreement"). Any changes to the Training Agreement require our prior written consent. In no event will you permit any third party, including any client, to attend any Live Instruction or other training sessions, or acquire, observe, or use any of the Materials, without having first obtained a signed Training Agreement or other document approved by us from that third party. You must keep copies of all executed Training Agreements and make those copies available to us for review upon our request. Upon our request, you must cooperate with us in enforcing the obligations under the Training Agreement against any of your clients or other parties acquiring access to the Materials by or through you. We may require you to cause Authorized Representatives to execute contracts provided by us.

Other than the requirements above, we make no recommendations and have no requirements regarding written employment or other written agreements between you and your employees.

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

In order to maintain uniformity throughout the system, Franchisees must operate their CRESTCOM Businesses in conformity with our standards and specifications provided in the Procedures Manual or otherwise provided in writing. The Procedures Manual is described in Items 8 and 11 of this Disclosure Document. Franchisees may not deviate from our standards and specifications without our prior written consent. Unless we agree otherwise, Franchisees can only offer the Materials and Live Instruction that we approve and may not offer or engage in any other business activity, including conducting any competitive business in violation of the covenant against competition in the Franchise Agreement. In particular, Franchisees are restricted from offering, marketing or conducting other audio, video, or online media-based or other visually transmitted sales, motivational, or management training, personal development or consulting services, or conducting any other training sessions or participating in any other training that is transmitted by audio media, video media, online media, or other visual transmission methods. Involvement in such other activities can decrease the time and effort Franchisees have to devote to their CRESTCOM Businesses, and decrease the chances of success for those CRESTCOM Businesses. Because our relationships with our video faculty and other talent used in the Materials are vitally important to us and the franchise system, Franchisees cannot solicit the services of or otherwise have contact with any of the talent used in the Materials without our prior written consent, which consent may be withheld for any reason.

If you engage in another type of business or profession or offer any other types of services or products in addition to your CRESTCOM Business, whether or not we have granted our prior written approval to such actions, you will be required to pay us Distribution Fees and Royalty Fees based on the Gross Revenues that you realize not only from your sale of the Materials and conduct of Live Instruction, but also, the Gross Revenues that you realize from the operation of the other business activities.

Franchisees are not allowed without our written approval (which approval may be withheld for any reason) to display any part of the Materials or conduct any instruction or other training via television broadcast, cable, network, closed circuit or satellite transmission, on the Internet, or by similar technological means and methods in use now or developed in the future (“Electronic Transmissions”), or to market or sell any Materials, instruction or training that are to be delivered or displayed to clients via Electronic Transmissions, including any on-demand training system we may establish. This does not restrict you from displaying the Materials using electronic technology in an in-person session of the Live Instruction. We may, in our sole discretion, grant you or third parties the rights to display the Materials or conduct instruction or other training via Electronic Transmission methods, or to market and sell the Materials, instruction or other training to be delivered or displayed via these Electronic Transmission methods, under terms and conditions we determine, including payment of an additional initial fee or other fees, which may be substantially different than the terms and conditions stated in your Franchise Agreement. You may not promote your CRESTCOM Business on the Internet, without prior written approval from us, which approval may be withheld for any reason.

Live Instruction may be conducted only in a manner specifically authorized by us, as described in the Procedures Manual. Without our written approval, you are not allowed to conduct Live Instruction or sell Materials outside of your Assigned Area.

You must participate in and abide by the Multiple Area Sales Program described in the Procedures Manual, related to sales and servicing of clients with multi-area needs. In the event of a dispute between you and another Franchisee, distributor, or Area Developer, or any other party related to the Multiple Area Sales Program, you must submit the dispute to us for our final and binding decision.



Franchisees may not reship, transship, give, loan, sell or purchase any part of the Materials to or from any other current or former CRESTCOM Franchisee or any reseller of the Materials, whether within or outside of the Assigned Area. Franchisees may sell the Materials only through their CRESTCOM Business and only to clients who are the actual end users of the Materials.

All of your clients or others acquiring the use of the Materials through you will be required to execute a form containing language that is substantially similar to the language in the Training Agreement. See Item 15.

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

**THE FRANCHISE RELATIONSHIP**

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

	<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	Section 16.1	7 years.
b.	Renewal or extension of the term	Section 16.3	2 successor franchise terms of 7 years each.
c.	Requirements for you to renew or extend	Sections 16.3 and 16.4	Notice at least 120 days prior to the scheduled expiration, compliance with Franchise Agreement, pay successor franchise fee, modify the CRESTCOM Business and its operations to comply with the then-current Procedures Manual and Licensed Methods, execute new Franchise Agreement in the form then in use by us (which may contain terms and conditions materially different from your original Franchise Agreement), execute a Successor Franchise Rider (in a form substantially similar to that attached to this Disclosure Document as <u>Attachment F</u> ), pay any required New Materials surcharge, and others.

	<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
d.	Termination by you	Section 17.3 and PSR Rider Section 14	You can terminate the Franchise Agreement (i) at any time following the first anniversary of the Franchise Agreement as long as you are not in default and provide notice at least one year in advance; or (ii) if we materially breach the Franchise Agreement, if you provide us with written notice within 30 days of the breach and a reasonable opportunity to cure of not less than 90 days. You may terminate the PSR Rider upon 30 days' notice to us.
e.	Termination by us without cause	PSR Rider Sections 13 and 14	We cannot terminate the Franchise Agreement without cause (see row "f" below). We may terminate the PSR Rider upon 30 days' notice to you or discontinue the PSR Program.
f.	Termination by us with cause	Sections 17.1 and 17.2	We can terminate only if you commit any one of several listed violations.
g.	"Cause" defined - defaults which can be cured	Section 17.2	10 days for any breach of the Franchise Agreement except for those for which no right to cure applies (see row "h" below), including notice for misuse of Marks, failure to maintain standards failure to maintain insurance, failure to pay amounts to us or file reports with us when due, deceptive practices, failure to obtain consent, failure to comply with Procedures Manual, and improper conduct harmful to our image and system.

	<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
h.	“Cause” defined - non-curable defaults	Section 17.1; PSR Rider Sections 9 and 12	Unauthorized disclosure; abandonment; unsatisfied judgments; 3 notices of default during the term; conviction of you or Principal Representative of a crime; unauthorized transfers; insolvency of you or a guarantor <sup>1</sup> ; Act of Deception (as defined in Section 14.5 of the Franchise Agreement); unauthorized conduct of Live Instruction or sale of Materials; unauthorized solicitation of Authorized Representatives; sale of Materials outside of Assigned Area; unauthorized purchase, resale, transfer, duplication, or modification of the Materials; becoming subject to Executive Order 13224 or the Patriot Act; violation of non-compete or violation of other in-term restrictive covenants; failure to complete training or Additional Meetings; breach of other agreements between us or any of our affiliates and you or any of your affiliates; guaranty becomes unenforceable or inadequate; breach of PSR Assessment Form; commingling of sales or Gross Revenues between your PSRs and you or your other Salespersons in violation of the PSR Program; others.
i.	Your obligations on termination / non-renewal	Section 17.4	Pay outstanding amounts due; pay an amount equal to the Distribution Fees and Royalty Fees based on the Minimum Monthly Requirement due over the lesser of the remaining term of the Franchise Agreement or 30 months, if terminated due to your default; de-identification; return of confidential information; cancellation or assignment of telephone numbers; execution of a termination agreement; conduct any remaining Live Instruction that is already scheduled if required by us; assign to us rights to client payments to cover remaining fees and amounts owed if required by us; abide by all post-termination covenants; others (see row “i” also).

	<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
j.	Assignment of contract by us	Section 15.6	No restriction on our right to assign.
k.	“Transfer” by you-defined	Sections 15.1 and 15.2	Includes transfer of an interest in your Franchise Agreement, your franchise, all or a substantial portion of assets of your CRESTCOM Business, or an interest in you if you are an entity.
l.	Our approval of transfer by you	Section 15.2	We must approve all transfers.
m.	Conditions for our approval of transfer	Sections 15.2 through 15.4	Notice 30 days prior to the proposed effective date containing information sufficient for us to evaluate transfer; transferee was initially introduced to us by you; all amounts due are paid in full; New Materials surcharge fee paid; transferee satisfactorily completes training; transferee training fee and transfer fee paid; then current Franchise Agreement signed or obligations assumed by transferee; transferee may be required to comply with PMA Program; Agreement and Consent to Transfer signed; general release signed (subject to state law); <sup>2</sup> your agreement to abide by all post-termination covenants; others (see row “r” also). We have 15 days from transferee’s successful completion of our initial training program to approve or disapprove transfer.
n.	Our right of first refusal to acquire your business	Not Applicable	Not Applicable
o.	Our option to purchase your business	Section 17.4.f	If required by law, we will purchase all of the Materials in your possession for their wholesale prices less 3 percent per month.
p.	Your death or disability	Section 15.5	Franchise must be assigned to approved buyer within 120 days.
q.	Non-competition covenants during the term of the franchise	Article 19	Prohibits owning, operating or performing services for a competing business.

	<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
r.	Non-competition covenants after the franchise is terminated or expires	Article 19	Prohibited for 30 months from owning or operating a competing business located or operating within any CRESTCOM Business assigned area.
s.	Modification of the agreement	Section 22.2	Must be in writing signed by both parties, but Procedures Manual, Materials and Live Instruction are subject to change. Unless prohibited by law or waived by us, you must provide a general release of any and all claims against us if you request and we consent to modify any provisions of the Franchise Agreement after it has been signed.
t.	Integration/merger clause	Section 22.3	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of this Disclosure Document and the Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement is intended to disclaim any representations made by us in this Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Sections 21.1 and 21.2	Except for certain claims, all disputes must be arbitrated in Denver, Colorado, U.S.A. (subject to state laws). If a claim can be brought in court, both you and we agree to waive our rights to a jury trial.
v.	Choice of forum	Section 21.5	Colorado, U.S.A. (subject to state law).
w.	Choice of law	Section 21.5	Federal and Colorado laws (subject to state law). The Colorado Consumer Protection Act does not apply.
x.	Individual Claims	Section 21.3	All disputes between you and us must be in an action separate from disputes between us and third parties or between you and third parties.

	<b>Provision</b>	<b>Section in Franchise or Other Agreement</b>	<b>Summary</b>
y.	Limitation of Actions	Section 22.7	All claims that either you or we may bring against the other arising out of or relating to the Franchise Agreement, the relationship between us and you, or your operation of the CRESTCOM Business must be brought within one year from when the claim arose (subject to state law).
z.	Non-Interference	Section 19.7	Prohibited during the term of your Franchise Agreement and for 30 months after the term from interfering with our relationships with other parties.
aa.	Cross Default and Termination	Section 22.19	A default by you of your Franchise Agreement will constitute a default of all other agreements between you and us, and vice versa. If we terminate your Franchise Agreement due to a default by you, all other agreements between us may also be terminated.

<sup>1</sup> A default due to bankruptcy may not be enforceable under federal bankruptcy laws.

<sup>2</sup> Our current form of general release is attached to this Disclosure Document as Attachment G. Execution of a general release may be subject to certain provisions of your state's laws. See the State Addenda to this Disclosure Document for certain states, which are attached to this Disclosure Document as Attachment L.

Certain states have statutes that may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise. See the State Addendum to Disclosure Document which is attached to this Disclosure Document as Attachment L.

## **ITEM 18 PUBLIC FIGURES**

We do not use any public figures to promote our franchise. You may use the name of a public figure or celebrity in your promotional efforts or advertising with our approval.

## **ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in this 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 by this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Below is a chart showing our estimate of gross revenue margins before expenses related to the sale or marketing of Materials. This chart has not been prepared in accordance with the statement on Standards for Accountant's Services on Prospective Financial Information.

**ESTIMATE OF GROSS REVENUE MARGINS BEFORE EXPENSES<sup>(1) - (9)</sup>**

<b>GROSS MARGIN PER PARTICIPANT ATTENDING THE BULLET PROOF<sup>®</sup> MANAGER PROGRAM</b>						
<b>Materials (per participant)</b>	<b>Recommended Retail Price<sup>(3)</sup></b>	<b>Cost of Materials as % of Recommended Retail<sup>(5)</sup></b>	<b>Fees as % of Recommended Retail<sup>(6)</sup></b>	<b>Est. Shipping as % of Recommended Retail<sup>(7)</sup></b>	<b>Total % of Recommended Retail</b>	<b>Gross Revenue Margin (%/\$(<sup>(2)</sup>)(<sup>(4)</sup>)(<sup>(8)</sup>)</b>
BPM Materials <sup>(1)</sup>	\$4,320	2.13%	35.5%	.5%	38.13%	61.87% \$2,672.78

THE ACCOMPANYING FOOTNOTES ARE AN INTEGRAL PART OF THIS CHART AND SHOULD BE READ IN THEIR ENTIRETY FOR A FULL UNDERSTANDING OF THE INFORMATION CONTAINED IN IT.

FOOTNOTES:

- (1) The estimated gross revenue margins reflected in the chart above relate only to Franchisees' sales of Materials for and enrollments of participants in The BULLET-PROOF<sup>®</sup> Manager programs (the "BPM Programs"), and exclude sales of other Materials or enrollments in other programs Franchisees can offer. We offer other programs and Materials that may have greater or lesser margins. We estimate that more than 95 percent of all sales revenues are derived from the BPM Programs.
- (2) The term "Gross Revenue Margin" as used in the chart refers to the amount or percentage, as indicated, of the applicable total revenues that remain after deduction of only those costs specifically identified in the chart. A Franchisee will have other costs as well. See footnote 4 below.
- (3) The recommended retail price for the 2013 calendar year was \$4,320 per participant. This recommended retail price is stated in the Procedures Manual and is subject to change. In prior years, the recommended retail price may have been lower. Franchisees may charge a fee that is higher or lower than our recommended retail price. They sometimes will reduce the per participant fee they charge for clients who enroll multiple managers to attend the BPM Programs. Market conditions, such as competition, market recognition, quality of a Franchisee's training skills and location may affect a Franchisee's actual retail pricing.
- (4) The costs shown in the chart are based on the costs in effect as of the date of this Disclosure Document and are subject to change. This chart shows certain costs incurred in marketing the Materials and conducting BPM Programs only. They do not include all of the expenses a Franchisee will incur during the term of its franchise agreement, including the initial investment in the franchise, start-up costs, overhead, and certain operating expenses. Operating expenses vary substantially and are based on particular

factors relevant to each Franchisee. A Franchisee may incur operating expenses for a computer, DVD player, iPad, tablet computer, projector, or other equipment, automobile, telephone and voice mail system or service, marketing and advertising, direct mail, special incentive offers, Facilitator's or other instructional items or materials, amounts paid to Facilitators for those Franchisees who do not conduct their own Live Instruction programs, amounts paid to telemarketers for those Franchisees who elect to employ telemarketers, New Materials introductory surcharge (discussed below), and other isolated and/or recurring expenses. It also does not include amounts representing the Franchisee's (and its authorized representatives') time or effort, or account for interest expense, appreciation or depreciation of assets, capital expenses and carrying costs which will vary from Franchisee to Franchisee. Franchisees may operate from an office location, in which case there may be office lease and other related expenses, although most of our Franchisees operate out of their homes. Franchisees will also incur costs related to the attendance at our annual international convention and other Additional Meetings. You should refer to Items 5, 6 and 7 of this Disclosure Document for a discussion of other initial franchise fees, other fees and expenses, and initial investment considerations.

- (5) The actual cost of the Materials for participants in the BPM Programs or other programs we offer varies. Depending on the number of participants a client enrolls, the mix of Materials the client receives is different. Further, many Franchisees purchase additional Materials to give to clients as a bonus for early payment. Some Franchisees also offer free or "scholarship" enrollments as a bonus for clients who enroll a specified number of their managers in the BPM Programs. The expenses shown in the chart assume these incentive Materials come from the Franchisee's own inventory and the costs of any free enrollments or bonus Materials are not reflected in the chart. Franchisees are not required to offer free enrollments or give bonus Materials. Based on our estimates, the average expense for required Materials for one participant in a BPM Program, including the payment of the Media Access Fee owed to us for any Materials that we grant you the right to access and market is approximately \$92 or 2.13 percent of the current recommended retail price of \$4,320. This recommended retail price is stated in the Procedures Manual and is subject to change.
- (6) The aggregate fees paid to us when a Franchisee sells the Materials generally total 35.5 percent of a Franchisee's Gross Revenues. This is comprised of a Distribution Fee of 34 percent and a Royalty Fee of 1.5 percent. The gross revenue margins shown on the chart assume that the standard Distribution Fee of 34 percent is paid on all Gross Revenues. A lower Distribution Fee may be payable based on certain Gross Revenues under our PSR Program, as described in Item 6. The chart also does not consider the credits that may be granted to a Franchisee under our Merit Program, as described in Item 6. The fees due us are paid as a Franchisee receives the proceeds from BPM Programs, which may not always be at the time of the sale. We recommend that Franchisees require enrollment fees and other amounts paid by a client be paid on a cash basis or on a basis of 25 percent down, with the balance payable in 30, 60, and 90 days. You may agree to other terms. The gross revenue margins shown on the chart assume that all amounts owed by clients are collected at the time of the sale, and that all Distribution Fees, Royalty Fees, and any other fees or amounts owed to us by Franchisees are paid at the time of the sale.



- (7) We estimate shipping costs at 0.5 percent of the retail price of the Materials. This may be higher depending on the location of a Franchisee and other factors, particularly for shipments of small quantities of Materials.
- (8) We periodically introduce New Materials or programs to our inventory of Materials available to franchisees. There is a one-time introductory surcharge to offset our production costs of these Materials at the earlier of (i) the first order of any unit of the New Materials; or (ii) six months from the date the New Materials become available. The current introductory surcharge is \$400 per new training program unit. Franchisees are required to acquire the rights to access and market any New Materials within six months of their availability. Since the introductory surcharge is a one-time charge, we have not included it in the chart as the percentage effect would constantly vary as rights to more of these New Materials are acquired over the life of a franchise.
- (9) The data in the chart has been compiled based on the experience of our U.S. Franchisees only. Our system is comprised of Franchisees operating within the United States and Franchisees and distributors operating in other countries. Our foreign franchise/distributorship programs operate in a manner similar to our franchise system within the United States as it relates to the information contained in the chart, although retail prices for the Materials distributed internationally may differ from the recommended retail price presented in the chart and are often subject to customs and duty expenses as well as higher shipping costs. International prices are also subject to change with exchange rate fluctuations. The results of our foreign franchise/distributorship programs are not included in this data. Also, at different times we have promoted other franchise programs in addition to the CRESTCOM Business franchise program offered under this Disclosure Document. These programs generally had lower initial franchise fees and higher Distribution Fees and Royalty Fees. We currently do not offer any of these programs. We currently do not have any U.S. Franchisees participating in any of these programs.

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**CAUTION: YOUR ACTUAL FINANCIAL RESULTS ARE LIKELY TO DIFFER FROM THE FIGURES PRESENTED. WE DO NOT REPRESENT THAT THE GROSS REVENUE MARGINS CONTAINED IN THIS CHART REPRESENT YOUR NET INCOME. YOU WILL HAVE OTHER EXPENSES AS NOTED ABOVE.**

**YOUR ABILITY TO ACHIEVE ANY LEVEL OF GROSS REVENUES MARGINS AND INCOME WILL DEPEND UPON FACTORS NOT WITHIN OUR CONTROL, INCLUDING THE OCCURRENCE OF CERTAIN START UP AND OPERATING EXPENSES AND THE AMOUNT OF THOSE EXPENSES, AND YOUR LEVEL OF EXPERTISE. IF POSSIBLE, SHOW THESE FIGURES TO SOMEONE WHO CAN ADVISE YOU, LIKE A LAWYER OR ACCOUNTANT.**

**YOU SHOULD NOTE THAT THE INFORMATION CONTAINED IN THIS ITEM IS NOT INTENDED TO EXPRESS OR INFER AN ESTIMATE, PROJECTION OR FORECAST OF INCOME, SALES, PROFITS OR EARNINGS TO BE DERIVED IN CONNECTION WITH ANY PARTICULAR FRANCHISE. THE INFORMATION PRESENTED IN THE CHART IS LIMITED TO AN ESTIMATE OF GROSS REVENUE MARGINS BEFORE OPERATING EXPENSES THAT COULD BE DERIVED BY A FRANCHISEE FROM THE ENROLLMENT OF ONE BULLET PROOF MANAGER PARTICIPANT AT OUR CURRENT RECOMMENDED**

**RETAIL PRICE. WE MAKE NO REPRESENTATION AS TO WHETHER YOU WILL EVER BE ABLE TO SELL ANY OF THE MATERIALS, HOW MANY PARTICIPANTS YOU MAY BE ABLE TO ENROLL, OR THE LENGTH OF TIME IT WILL TAKE YOU TO ENROLL ONE OR MORE PARTICIPANTS OR REALIZE ANY GROSS REVENUES.**

The financial performance representation figures in the chart reflect the estimated costs of materials, estimated costs of shipping, and estimated Distribution Fees and Royalty Fees related to the enrollment of Bullet Proof Manager participants. The financial performance representation figures in the chart do not reflect the cost of any other sales, marketing, operating or other expenses that must be deducted from the gross revenues or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your CRESTCOM Business. Franchisees or former Franchisees listed in Attachments H and I may be one source of this information.

Written substantiation for the financial performance representation will be made available to you at our Greenwood Village office upon reasonable request.

Other than the preceding chart, we do 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 CRESTCOM Business, however, we may provide you with the actual records of that CRESTCOM Business 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 George Godfrey at 6900 East Belleview Avenue, Suite 100, Greenwood Village, Colorado 80111 and (303) 267-8200, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**ITEM 20 TABLE NO. 1  
Systemwide Outlet Summary  
(All Outlets)  
For Years 2011 to 2013<sup>(1)</sup>**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2011	200	204	+4
	2012	204	192	-12
	2013	192	186	-6
Company-Owned	2011	0	0	0
	2012	0	0	0
	2013	0	0	0
Total Outlets	2011	200	204	+4
	2012	204	192	-12
	2013	192	186	-6

<sup>(1)</sup> Each year period begins on January 1 and ends on December 31.

**ITEM 20 TABLE NO. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**(All Outlets)**  
**For Years 2011 to 2013<sup>(1)</sup>**

Column 1	Column 2	Column 3
State	Year	Number of Transfers
Arizona	2011	0
	2012	0
	2013	1
Virginia	2011	0
	2012	1
	2013	0
Total - US	2011	0
	2012	1
	2013	1
International <sup>(2)</sup>		
Canada	2011	0
	2012	1
	2013	1
Germany	2011	0
	2012	0
	2013	1
Mexico	2011	0
	2012	1 <sup>(3)</sup>
	2013	0
Netherlands	2011	0
	2012	1
	2013	0
Vietnam	2011	0
	2012	0
	2013	1
Total - International	2011	0
	2012	3
	2013	3
Total - All	2011	0
	2012	4
	2013	4

(1) Each year period begins on January 1 and ends on December 31.

(2) We did not maintain complete records of transfers outside of the United States in years prior to 2012. Therefore, only transfers of outlets in the United States are shown for years prior to 2012.

(3) In 2012, one Franchisee located in Mexico transferred its CRESTCOM Business to a Franchisee located in Pennsylvania. See Table No. 3 below.

**ITEM 20 TABLE NO. 3**  
**Status of Franchised Outlets**  
**(All Outlets)**  
**For Years 2011 to 2013<sup>(1)</sup>**

Column 1 State or Country	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations- Other Reasons	Column 9 Outlets at End of the Year
Alabama	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Arizona	2011	0	1 <sup>(2)</sup>	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
California	2011	4	0	0	0	0	1 <sup>(2)</sup>	3
	2012	3	0	0	0	0	2	1
	2013	1	0	0	0	0	0	1
Colorado	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Connecticut	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Florida	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	1	0	0	0	0	3
Georgia	2011	3	0	0	0	0	1	2
	2012	2	0	0	0	0	0	2
	2013	2	2	0	0	0	2	2
Idaho	2011	1	0	0	1	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Illinois	2011	1	0	0	0	0	0	1
	2012	1	1	0	0	0	1	1
	2013	1	0	0	0	0	1	0
Indiana	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	1	0
	2013	0	0	0	0	0	0	0
Kentucky	2011	1	0	0	0	0	1	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Louisiana	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Maine	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	1	0

Column 1 State or Country	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations- Other Reasons	Column 9 Outlets at End of the Year
Maryland	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	1	0	0	1
Massachusetts	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Michigan	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Minnesota	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	1	2
	2013	2	0	0	0	0	1	1
Missouri	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
New Jersey	2011	2	2	0	0	0	1	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	1	2
North Carolina	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Ohio	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Oklahoma	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Pennsylvania	2011	2	0	0	0	0	1	1
	2012	1	1 <sup>(3)</sup>	0	0	0	0	2
	2013	2	0	0	0	0	0	2
South Carolina	2011	1	0	0	0	0	1	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Tennessee	2011	4	0	0	0	0	1	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	1	2
Texas	2011	3	0	0	0	0	1	2
	2012	2	1	0	0	0	1	2
	2013	2	1	0	0	0	1	2
Utah	2011	1	1	0	0	0	0	2
	2012	2	0	0	0	0	1	1
	2013	1	0	0	0	0	0	1

Column 1 State or Country	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations- Other Reasons	Column 9 Outlets at End of the Year
Virginia	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Washington	2011	2	0	0	0	0	0	2
	2012	2	0	1	0	0	0	1
	2013	1	0	0	0	0	0	1
Total - US	2011	47	5	0	1	0	8	43
	2012	43	3	1	0	0	7	38
	2013	38	5	0	1	0	8	34
International								
Angola	2011	1	0	0	0	0	1	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Algeria	2011	1	0	0	0	0	0	1
	2012	1	0	1	0	0	0	0
	2013	0	0	0	0	0	0	0
Australia	2011	6	1	1	0	0	2	4
	2012	4	0	0	0	0	3	1
	2013	1	0	0	0	0	0	1
Austria	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Bahrain	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	1 <sup>(2)</sup>	0
	2013	0	0	0	0	0	0	0
Barbados	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Belgium	2011	2	0	0	0	0	1	1
	2012	1	1	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Bosnia & Herzegovina	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Botswana	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Brazil	2011	2	2	0	0	0	1	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Burundi	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	1	0

Column 1 State or Country	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations-Other Reasons	Column 9 Outlets at End of the Year
Cameroon	2011	0	2	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	1	0	0	0	1
Canada	2011	16	1	1	0	0	0	16
	2012	16	0	0	0	0	1	15
	2013	15	0	0	0	0	1	14
Chile	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
China	2011	4	0	1	0	0	2	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Colombia	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	1	0
	2013	0	1	0	0	0	0	1
Costa Rica	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Cote d'Ivoire	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Ecuador	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
England	2011	5	0	1	0	0	0	4
	2012	4	0	0	0	0	0	4
	2013	4	2	0	0	0	0	6
Ethiopia	2011	1	1	0	0	0	1	1
	2012	1	0	0	0	0	1	0
	2013	0	0	0	0	0	0	0
France	2011	9	2	0	0	0	2	9
	2012	9	3	0	0	0	1	11
	2013	11	1	1	0	0	2	9
The Gambia	2011	0	1	0	0	0	1	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Germany	2011	15	9	1	0	0	0	23
	2012	23	7	0	0	0	5	25
	2013	25	10	2	0	0	4	29
Ghana	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2

Column 1 State or Country	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations- Other Reasons	Column 9 Outlets at End of the Year
Greece	2011	3	0	0	0	0	0	3
	2012	3	1	0	0	0	2	2
	2013	2	0	0	0	0	0	2
Honduras	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Hungary	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
India	2011	5	0	0	0	0	0	5
	2012	5	0	0	0	0	0	5
	2013	5	0	1	0	0	0	4
Indonesia	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Ireland	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2
Northern Ireland	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Kazakhstan	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	1	0
Kenya	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Kuwait	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Liberia	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Libya	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Malaysia	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Mexico	2011	5	0	0	0	0	0	5
	2012	5	0	0	0	0	1 <sup>(3)</sup>	4
	2013	4	0	0	0	0	0	4



Column 1 State or Country	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations- Other Reasons	Column 9 Outlets at End of the Year
Morocco	2011	0	4	0	0	0	0	4
	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Mozambique	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Namibia	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Netherlands	2011	6	3	0	0	0	1	8
	2012	8	0	0	0	0	0	8
	2013	8	1	0	0	0	3	6
New Zealand	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	1	0
	2013	0	0	0	0	0	0	0
Nicaragua	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	1	0	0	0	0
Nigeria	2011	5	1	0	0	0	2	4
	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Norway	2011	2	0	0	0	0	1	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Pakistan	2011	4	0	1	0	0	1	2
	2012	2	0	1	0	0	0	1
	2013	1	0	1	0	0	0	0
Panama	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2
Peru	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	1	1
Philippines	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Poland	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Portugal	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3

Column 1 State or Country	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations- Other Reasons	Column 9 Outlets at End of the Year
Puerto Rico	2011	1	0	0	0	0	0	1
	2012	1	2	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Romania	2011	3	0	0	0	0	1	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Russia	2011	2	0	0	0	0	0	2
	2012	2	0	2	0	0	0	0
	2013	0	0	0	0	0	0	0
Rwanda	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Saudi Arabia	2011	3	1	0	0	0	0	4
	2012	4	1 <sup>(2)</sup>	0	0	0	0	5
	2013	5	0	0	0	0	2	3
Senegal	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	1	0
	2013	0	1	0	0	0	1	0
Singapore	2011	2	0	0	0	0	1	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Slovenia	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
South Africa	2011	4	0	1	0	0	2	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
South Korea	2011	1	0	0	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Spain	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Sweden	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Switzerland	2011	1	4	0	0	0	0	5
	2012	5	0	0	0	0	1	4
	2013	4	0	0	0	0	1	3
Taiwan	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1

Column 1 State or Country	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations-Other Reasons	Column 9 Outlets at End of the Year
Tanzania	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	1	0	0	0	0
Thailand	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	1	2
Trinidad and Tobago	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Uganda	2011	1	0	0	0	0	0	1
	2012	1	0	1	0	0	0	0
	2013	0	0	0	0	0	0	0
United Arab Emirates	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Vietnam	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Zambia	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Zimbabwe	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	1	0
	2013	0	0	0	0	0	0	0
Total - International	2011	153	35	7	0	0	20	161
	2012	161	18	5	0	0	20	154
	2013	154	24	8	0	0	18	152
Total - All	2011	200	40	7	1	0	28	204
	2012	204	21	6	0	0	27	192
	2013	192	29	8	1	0	26	186

- (1) Each year period begins on January 1 and ends on December 31.
- (2) In 2011, one Franchisee relocated its CRESTCOM Business from California to Arizona. In 2012, one Franchisee relocated its CRESTCOM Business from Bahrain to Saudi Arabia. Each of these relocations is accounted for in this table under the columns “Ceased Operations-Other Reasons” for the Franchisee’s original location and “Outlets Opened” for the Franchisee’s new location. These relocations did not result in the Franchisee leaving the system or ceasing to operate an outlet.
- (3) In 2012, one Franchisee located in Mexico transferred its CRESTCOM Business to a Franchisee located in Pennsylvania. This transfer is accounted for in this table under the columns “Ceased Operations-Other Reasons” for Mexico, the location of the transferor, and “Outlets Opened” for Pennsylvania, the location of the transferee. This transfer is also addressed in Table No. 2 above.

**ITEM 20 TABLE NO. 4**  
**Status of Company-Owned Outlets**  
**(All Outlets)**  
**For Years 2011 to 2013<sup>(1)</sup>**

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Totals	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0

<sup>(1)</sup> Each year period begins on January 1 and ends on December 31.

**ITEM 20 TABLE NO. 5**  
**Projected Openings As Of December 31, 2013**  
**(United States Outlets Only)<sup>(1)</sup>**

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Fiscal Year
California	0	1	0
Connecticut	0	1	0
Florida	0	1	0
Illinois	0	1	0
Kansas	0	1	0
Missouri	0	1	0
New Jersey	0	1	0
New York	0	1	0
Texas	0	1	0
<b>Total</b>	0	9	0

<sup>(1)</sup> Sales of franchises outside of the United States are often unpredictable and we have not projected openings internationally. This table addresses only outlets in the United States.

A list of the names of all Franchisees and the addresses and telephone numbers of their CRESTCOM Businesses are listed in Attachment H to this Disclosure Document. A list of the name and last known city, state and telephone number of every Franchisee who has had a CRESTCOM Business terminated, cancelled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under their franchise agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the date of this Disclosure Document is listed on Attachment I to this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Some Franchisees have signed confidentiality clauses during the last three fiscal years. In some instances, current and former Franchisees sign provisions restricting their ability to speak openly about

their experience with the Crestcom system. You may wish to speak with current and former Franchisees, but be aware that not all of those Franchisees will be able to communicate with you.

We have created and support the International Advisory Council, a trademark-specific Franchisee association serving as an advisory group within the Crestcom system. The International Advisory Council does not have an office of its own, and it does not have a designated Franchisee to serve as the contact person. You may contact the International Advisory Council through us, as follows:

George Godfrey  
Crestcom International, LLC  
6900 East Belleview Avenue, Suite 100  
Greenwood Village, Colorado 80111  
Telephone: (303) 267-8200  
george.godfrey@crestcom.com

### **ITEM 21 FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Attachment J are our audited financial statements as of December 31, 2013, 2012, and 2011, along with our unaudited balance sheet as of January 31, 2014.

### **ITEM 22 CONTRACTS**

These are the only contracts we enter into with any Franchisee regarding the offering of CRESTCOM Business franchises in this state:

- Attachment A Franchise Agreement and Exhibits
- Attachment B Confidentiality/Application Agreement
- Attachment C Nondisclosure and Noncompetition Agreement
- Attachment D Form of Promissory Note
- Attachment E Professional Sales Representative Program Rider to Franchise Agreement and Assessment Enrollment Form
- Attachment F Form of Successor Franchise Rider to Franchise Agreement

### **ITEM 23 RECEIPTS**

The last two pages of this Disclosure Document are receipt pages. Please sign and date each of them as of the date you received this Disclosure Document, detach the second receipt page, and promptly return it to us as specified on that page.

**ATTACHMENT A**

**FRANCHISE AGREEMENT**

**FRANCHISE AGREEMENT**

Franchisee: \_\_\_\_\_  
Date: \_\_\_\_\_  
Assigned Area: \_\_\_\_\_

**CRESTCOM INTERNATIONAL, LLC  
FRANCHISE AGREEMENT**

**TABLE OF CONTENTS**

<b>1.</b>	<b>BACKGROUND AND PURPOSE</b> .....	1
<b>2.</b>	<b>GRANT OF FRANCHISE</b> .....	1
	2.1 Grant of Franchise .....	1
	2.2 Scope of Franchise Operations .....	2
<b>3.</b>	<b>ASSIGNED AREA</b> .....	2
	3.1 Franchise Location.....	2
	3.2 Assigned Area.....	2
	3.3 Threshold Number in Assigned Area .....	2
	3.4 PMA Marketing Areas.....	3
	3.5 Crestcom’s Reservation of Rights .....	3
<b>4.</b>	<b>INITIAL FRANCHISE FEE</b> .....	4
	4.1 Initial Franchise Fee.....	4
<b>5.</b>	<b>TRAINING</b> .....	4
	5.1 Initial Training Program .....	4
	5.2 Additional Training.....	4
	5.3 Mentoring Program.....	4
<b>6.</b>	<b>FRANCHISEE’S DEVELOPMENT OBLIGATIONS</b> .....	4
	6.1 Fast Start Kit .....	4
	6.2 Equipment and Telephones.....	5
	6.3 Authorized Representatives .....	5
	6.4 Facilitators .....	5
	6.5 Salespersons.....	5
	6.6 Commencement of Operations .....	6
	6.7 Active Operations .....	6
<b>7.</b>	<b>DEVELOPMENT ASSISTANCE</b> .....	6
	7.1 Crestcom’s Development Assistance.....	6
<b>8.</b>	<b>PROCEDURES MANUAL</b> .....	6
	8.1 Procedures Manual .....	6
	8.2 Confidentiality of Procedures Manual Contents .....	7
	8.3 Changes to Procedures Manual.....	7
<b>9.</b>	<b>OPERATING ASSISTANCE</b> .....	7
	9.1 Crestcom’s Available Services .....	7
	9.2 Referral of Other Franchisees and Area Developers .....	8
	9.3 Supply of Materials.....	8
	9.4 No Obligation to Repurchase Materials.....	8
<b>10.</b>	<b>FRANCHISEE’S OPERATIONAL COVENANTS</b> .....	8
	10.1 Orders of Materials .....	8
	10.2 New Materials Surcharge.....	9
	10.3 Optional Training Programs .....	9
	10.4 Return of Materials .....	9
	10.5 Business Operations.....	9
	10.6 Continuing Qualification to Conduct Live Instruction .....	11
	10.7 Live Instruction Monitoring and Responsibility .....	11



10.8	Clients With Disabilities .....	12
10.9	Requirements for Entity Franchisees .....	12
10.10	Newsletters.....	12
<b>11.</b>	<b>CONTINUING FEES AND PAYMENTS .....</b>	<b>12</b>
11.1	Royalty .....	12
11.2	Distribution Fee .....	12
11.3	Gross Revenues.....	12
11.4	Media Access Fee .....	13
11.5	Client Access Fee.....	13
11.6	Payments to Crestcom .....	13
11.7	Minimum Monthly Requirement .....	13
11.8	Late or Insufficient Payments or Reports .....	14
<b>12.</b>	<b>QUALITY CONTROL.....</b>	<b>14</b>
12.1	Standards and Specifications .....	14
12.2	Approval of Advertising or Promotional Materials .....	15
12.3	Restrictions on Services and Materials .....	15
12.4	Approved Suppliers .....	15
12.5	No Modifications to Materials.....	15
<b>13.</b>	<b>TRADEMARKS, TRADE NAMES AND PROPRIETARY INTERESTS .....</b>	<b>15</b>
13.1	Marks .....	15
13.2	No Use of Other Marks.....	16
13.3	Licensed Methods.....	16
13.4	Crestcom’s Rights to Modifications and Innovations.....	16
13.5	Copyrights.....	16
13.6	Infringement.....	16
13.7	Franchisee’s Business Name.....	17
13.8	Change of Marks.....	17
<b>14.</b>	<b>REPORTS, RECORDS AND FINANCIAL STATEMENTS .....</b>	<b>17</b>
14.1	Franchisee Reports.....	17
14.2	Accounts; Books and Records .....	17
14.3	Audit of Books and Records .....	17
14.4	Failure to Comply with Reporting Requirements .....	18
14.5	Act of Deception.....	18
<b>15.</b>	<b>TRANSFER.....</b>	<b>19</b>
15.1	Transfer by Franchisee.....	19
15.2	Pre-Conditions to Franchisee’s Transfer .....	19
15.3	Crestcom’s Approval of Transfer .....	21
15.4	Waiver of Transfer Fee .....	21
15.5	Franchisee’s Death or Disability.....	21
15.6	Transfer by Crestcom.....	21
<b>16.</b>	<b>TERM AND EXPIRATION .....</b>	<b>22</b>
16.1	Term.....	22
16.2	Continuation.....	22
16.3	Rights Upon Expiration .....	22
16.4	Exercise of Option for Successor Franchise .....	22
16.5	Conditions of Refusal .....	23
<b>17.</b>	<b>TERMINATION AND DEFAULT .....</b>	<b>23</b>
17.1	Termination by Crestcom - Effective Upon Notice .....	23
17.2	Termination by Crestcom - Ten Days Notice .....	25
17.3	Termination by Franchisee .....	25

17.4	Obligations of Franchisee Upon Termination or Expiration .....	26
17.5	Terminology.....	27
17.6	Conflicting Laws.....	27
<b>18.</b>	<b>BUSINESS RELATIONSHIP.....</b>	<b>27</b>
18.1	Business Relationship .....	27
18.2	Third Party Obligations .....	28
18.3	Indemnification.....	28
<b>19.</b>	<b>RESTRICTIVE COVENANTS .....</b>	<b>28</b>
19.1	Non-Competition During Term .....	28
19.2	Post-Termination Covenant Not to Compete.....	29
19.3	No Diversion of Business or Employees .....	29
19.4	Prohibition Against Redistribution .....	29
19.5	Prohibition Against Relationships With Talent .....	30
19.6	Post-Termination Prohibition Against Relationships With Franchisees.....	30
19.7	Non-Interference.....	30
19.8	Confidentiality of Proprietary Information.....	30
19.9	Confidentiality Agreements and Training Agreements .....	30
19.10	Invalidity of Covenants.....	31
19.11	Claims Are Not Defenses to Covenants.....	31
<b>20.</b>	<b>INSURANCE.....</b>	<b>31</b>
20.1	Insurance Coverage.....	31
<b>21.</b>	<b>ARBITRATION.....</b>	<b>31</b>
21.1	Arbitration.....	31
21.2	Arbitration Award.....	32
21.3	Limitations on Proceedings.....	32
21.4	Injunctive Relief .....	32
21.5	Governing Law/Consent to Jurisdiction/Waiver of Jury Trial.....	33
21.6	No Punitive or Consequential Damages .....	33
21.7	No Recourse Against Others.....	33
<b>22.</b>	<b>MISCELLANEOUS PROVISIONS.....</b>	<b>33</b>
22.1	Nonrefundability .....	33
22.2	Modification.....	33
22.3	Entire Agreement.....	34
22.4	Delegation by Crestcom.....	34
22.5	Consent; Business Judgment .....	34
22.6	Effective Date .....	34
22.7	Limitation on Actions .....	34
22.8	Review of Agreement .....	35
22.9	Attorneys' Fees .....	35
22.10	Incorporation of Riders .....	35
22.11	No Waiver.....	35
22.12	Rights to Set Off .....	35
22.13	Survival of Terms .....	35
22.14	Invalidity.....	35
22.15	Notices .....	35
22.16	Force Majeure .....	36
22.17	Taxes.....	36
22.18	Estoppel Certificates .....	36
22.19	Cross-Default and Cross Termination Provisions.....	36
22.20	Charges and Taxes .....	36

22.21	Translations.....	37
22.22	Approval Within Assigned Area.....	37
22.23	Manner of Payment.....	37
22.24	Translation of Agreement .....	37
22.25	Crestcom’s Reserved Rights .....	37
22.26	Acknowledgement .....	37

**EXHIBITS**

- I. Addendum to Franchise Agreement
- II. Fast Start Kit
- III. Statement of Ownership
- IV. Guaranty and Assumption of Franchisee’s Obligations
- V. Credit Card Authorization
- VI. Riders to Franchise Agreement for Specific States or Countries

**CRESTCOM INTERNATIONAL, LLC**  
**FRANCHISE AGREEMENT**

**THIS AGREEMENT** (“**Agreement**”) is made effective as of the date set forth on the signature page hereof, between **CRESTCOM INTERNATIONAL, LLC**, a Delaware limited liability company, located at the Crestcom International Building, 6900 East Belleview, Suite 100, Greenwood Village, Colorado 80111 (“**Crestcom**”) and the undersigned franchisee (“**Franchisee**”), who, on the basis of the following understandings and in consideration of the following promises, agree as follows:

**1. BACKGROUND AND PURPOSE**

**1.1.** Crestcom has developed methods for establishing, operating and marketing businesses that provide sales and management training (“**CRESTCOM Businesses**”), which methods include the use and license of the trademarks “**CRESTCOM**®”, “**CRESTCOM TRAINERS TO THE WORLD**®”, “**THE BULLET PROOF MANAGER**™” and “**BULLET PROOF**®” and certain other service marks and trademarks (all referred to in this Agreement as the “**Marks**”), and Crestcom’s proprietary system and concepts for the establishment, operation and promotion of sales and management training businesses and related methods of doing business (the “**Licensed Methods**”). The Licensed Methods feature the sale or use for a fee of written materials, visual aids, and audio, video, and online media designed to be used as stand-alone training programs or in conjunction with specialized live in-person instruction seminars (“**Live Instruction**”) to instruct individuals, companies or other organizations (“**Clients**”) in a variety of areas, including business, sales, motivation and management skills and development. All written materials, visual aids, audio media, video media, online media, and marketing aids related thereto, and any substitutes for, or items that are a technological evolution of, any of the foregoing items, whether used in stand-alone training programs or Live Instruction, are collectively referred to in this Agreement as the “**Materials**.”

**1.2.** Crestcom grants the right and license to qualified individuals and entities to use the Marks and Licensed Methods to establish and operate CRESTCOM Businesses. They sign a franchise agreement in the form of this Agreement along with the Addendum to Franchise Agreement attached as Exhibit I (“**Addendum**”).

**1.3.** Franchisee desires to establish a CRESTCOM Business and Crestcom desires to grant Franchisee the right and license to operate a CRESTCOM Business under the terms and conditions contained in this Agreement and in the Addendum. Franchisee shall operate its franchise in accordance with and pursuant to the terms set forth in this Agreement and in the Addendum.

**2. GRANT OF FRANCHISE**

**2.1. Grant of Franchise.** Subject to the terms of this Agreement, Crestcom grants to Franchisee, and Franchisee accepts from Crestcom, the right and license to use the Marks and Licensed Methods in connection with the establishment and operation of a CRESTCOM Business, offering sales, management and other training utilizing the Materials. Upon signing this Agreement, Franchisee and Crestcom shall also execute the Addendum providing additional terms that modify this Agreement. Franchisee agrees to use the Marks and Licensed Methods, as they may be changed, improved or further developed by Crestcom from time to time, only in accordance with the terms and conditions of this Agreement.

**2.2. Scope of Franchise Operations.** Franchisee acknowledges that its continued rights to operate its CRESTCOM Business are dependent on Franchisee's continued compliance with all terms and conditions of this Agreement and in the manuals or technical bulletins or other supplemental written materials covering the proper operating and Marketing techniques of a CRESTCOM Business. The manuals, technical bulletins and other supplemental written materials are referred to in this Agreement collectively as the "**Procedures Manual**," and is more fully discussed in **Article 8** of this Agreement. Franchisee shall use its best, full time efforts to promote its CRESTCOM Business through the offer, sale, transfer, rental, lending, display, performance or other provision (all referred to in this Agreement as "**Marketing**") of the Materials and the Live Instruction in accordance with the Procedures Manual.

### **3. ASSIGNED AREA**

**3.1. Franchise Location.** Franchisee's CRESTCOM Business will be operated from a location selected by Franchisee ("**Franchise Location**"), which must be located within Franchisee's Assigned Area (as defined in **Section 3.2** below) and may be Franchisee's residence. The Franchise Location is designated in the Addendum. Franchisee may relocate the Franchise Location anywhere within the Assigned Area. Franchisee shall provide written notice to Crestcom of any change in the Franchise Location within 10 days of a change.

**3.2. Assigned Area.** Franchisee will concentrate its Marketing of the Materials and its Marketing and conducting of Live Instruction within the geographic area described in the Addendum as it is currently constituted ("**Assigned Area**"). Franchisee is prohibited from conducting any Marketing activities (including marketing through channels of distribution such as the Internet or other electronic transmission, catalog sales, telemarketing, or other direct marketing) or conducting Live Instruction outside of the Assigned Area or from Marketing any of the Materials or Marketing or conducting Live Instruction in the Assigned Area for use outside of the Assigned Area without the written approval of Crestcom, which may be withheld for any reason. Conditions under which Crestcom will generally consent to the Marketing or conducting of Live Instruction outside the Assigned Area are set forth in the Procedures Manual.

**3.3. Threshold Number in Assigned Area.** Franchisee acknowledges that its rights to Market the Materials and to Market and conduct Live Instruction in the Assigned Area will not prevent Crestcom or another franchisee or distributor from Marketing the Materials or Marketing or conducting Live Instruction within the Assigned Area; provided, however, that when the number of Qualifying Businesses (defined below) in the Assigned Area reaches the Threshold Number (defined below), Crestcom shall refrain from adding additional franchised CRESTCOM Businesses or its own CRESTCOM Businesses in the Assigned Area. A "**Qualifying Business**" is a CRESTCOM Business that, in each calendar quarter, generates gross revenues equal to the dollar amount that would be realized from the enrollment of at least 18 attendees of The BULLET PROOF Manager training program at Crestcom's then suggested U.S. minimum retail price. The gross revenues of any of a franchisee's Salespeople, as defined in **Section 6.5** below) are added to the gross revenues of that franchisee for purposes of calculating the revenues required for determining whether the franchisee's CRESTCOM Business is a Qualifying Business. The "**Threshold Number**" is equal to one Qualifying Business for each 1 million or fraction thereof of population in a franchisee's assigned area. If, after attaining the Threshold Number of Qualifying Businesses in the Assigned Area, the number of Qualifying Businesses thereafter falls below the Threshold Number, Crestcom may, without further notice to Franchisee, resume adding franchised CRESTCOM Businesses and its own CRESTCOM Businesses in the Assigned Area until the number of Qualifying Businesses in the Assigned Area again equals or exceeds the Threshold Number. Crestcom makes no representation, express or implied, that Franchisee or any other franchisee

in the Assigned Area may or is likely to achieve the gross revenue goals in connection with the operation of its CRESTCOM Business to attain or maintain it as a Qualifying Business.

**3.4. PMA Marketing Areas.** In regions where multiple franchisees share the same assigned area, or in areas where multiple franchisees otherwise Market the Materials in close proximity to each other, Crestcom has created programs granting limited, semi-exclusive protected territories called “**Principal Marketing Areas**” within the assigned area. These marketing programs are called “**PMA Programs.**” The terms, conditions, policies, and procedures of any PMA Program established by Crestcom shall be set forth in the Procedures Manual or in other written materials provided by Crestcom, and may be modified by Crestcom in its sole discretion. If Crestcom has already created a PMA Program within Franchisee’s Assigned Area, Franchisee shall abide by the terms, conditions, policies, and procedures of that program. If subsequent to the execution of this Agreement, Crestcom creates a PMA Program in Franchisee’s Assigned Area, or in an area with different assigned areas that include some or all of Franchisee’s Assigned Area, Franchisee agrees that it will participate in the PMA Program, and cooperate and comply with all of the terms, conditions, policies, and procedures instituted by Crestcom related to that PMA Program. Franchisee acknowledges that the terms, conditions, policies, and procedures of different PMA Programs may vary from one another. The Principal Marketing Areas and their geographical boundaries may be changed by Crestcom from time to time.

**3.5. Crestcom’s Reservation of Rights.** Franchisee acknowledges that all rights not specifically set forth in this Agreement are reserved to Crestcom, including the right to: (a) use and license the use of the Marks and Licensed Methods (i) for the operation of CRESTCOM Businesses anywhere, including in the Assigned Area, subject only to Threshold Number of Qualifying Business restrictions described above, (ii) for the operation of Area Developer (defined in **Section 9.2** below) businesses anywhere, including in the Assigned Area, or (iii) in connection with the production and sale of new or additional Materials, Live Instruction, or other promotional, marketing, or related items for use in a CRESTCOM Business, without regard to location; (b) establish alternative channels of distribution, which include marketing and distribution of the Materials via the Internet or other electronic transmissions, catalog sales, social media, telemarketing and other direct marketing sales channels, which may or may not use the Marks; (c) establish alternative channels of delivery, which include the electronic transmission methods, webinars, social media, and other electronic transmissions, other than electronic transmissions in conjunction with Live Instruction, for the Materials or any training programs of Crestcom, which may or may not use the Marks, and in conjunction with any alternative channel of delivery, authorize the marketing and sale of such Materials or any training programs through other distribution systems at any location, including in the Assigned Area; (d) retire, cease to produce, cease to offer, or otherwise terminate the right to market, distribute, sell or otherwise offer to third parties any older versions of the Materials, while continuing to offer such older versions of the Materials through alternative channels of distribution or by alternative channels of delivery; (e) create, produce, market and sell products or services of any kind, which may be the same as, similar to, or different from those offered by a CRESTCOM Business, utilizing proprietary marks that are not the same as or confusingly similar to the Marks, and not now or in the future designated as part of the Crestcom system licensed under this Agreement or otherwise used in a CRESTCOM Business, and authorize the marketing and sale of these other products and services through other distribution systems at any location, including in the Assigned Area, whether or not in alternative channels of distribution or using alternative channels of delivery; and (f) grant training personalities appearing on the Materials the right to market or use the Materials or similar materials in the conduct of their businesses, in their live presentations, or in connection with their personal appearances, at any location, including in the Assigned Area.

All of these rights may be exercised on any terms and conditions as Crestcom deems advisable, without granting Franchisee any rights to the businesses or activities of Crestcom or the relevant third party.

Franchisee acknowledges that the businesses and activities of Crestcom or the relevant third party as permitted under this **Section 3.5** will include businesses and activities that are the same as, similar to, and different from the business and activities of a CRESTCOM Business. Crestcom can acquire or be acquired by, or engage in any other transaction with, other companies (competitive or not), including arrangements where other companies are (or are not) converted to the Crestcom franchise system, or in which company-owned, franchised or other businesses (including CRESTCOM Businesses) are (or are not) converted to another format (whether competitive or not), or both, and is maintained as the same concept, as a new concept, or as a separate concept and is located anywhere, including in the Assigned Area. Franchisee must fully cooperate with any of these conversions, at Franchisee's sole expense. In addition, Franchisee acknowledges that Hal Krause, who developed certain of Crestcom's Marks and Licensed Methods and assigned them to Crestcom, reserved the right to use the Mark "THE BULLET PROOF MANAGER™" in the title and contents of a book and related materials.

#### 4. INITIAL FRANCHISE FEE

**4.1. Initial Franchise Fee.** Franchisee will pay to Crestcom an initial franchise fee in the amount and manner set forth in the Addendum. Franchisee acknowledges and agrees that the initial franchise fee represents payment for the initial grant of the rights to use the Marks and Licensed Methods, that Crestcom has earned the initial franchise fee upon receipt thereof and that the fee is under no circumstances refundable to Franchisee once it is paid.

#### 5. TRAINING

**5.1. Initial Training Program.** Except as set forth in the Procedures Manual, Franchisee or, if Franchisee is not an individual, the principal owner of Franchisee responsible for the management of the CRESTCOM Business or such other person designated by Franchisee, who must be approved in writing by Crestcom (the "**Principal Representative**"), is required to attend and successfully complete the initial training program. Franchisee is responsible for all travel and living expenses incurred in connection with attendance at the initial training program. Additional terms regarding the initial training program are set forth in the Procedures Manual.

**5.2. Additional Training.** From time to time, Crestcom may conduct training programs (the "**Additional Meetings**") in addition to the initial training program. Crestcom's and Franchisee or its Principal Representatives' obligations, duties, requirements and conditions of attending and participating in Additional Meetings are set forth in the Procedures Manual. In addition to the Additional Meetings, Franchisee is required to participate in any videoconference training programs designated as mandatory by Crestcom.

**5.3. Mentoring Program.** Following Franchisee's completion of the initial training program in accordance with **Section 5.1** above, Franchisee may elect, at its sole option, to participate in the Crestcom's mentoring program ("**Mentoring Program**"). Franchisee shall make its election to participate in the Mentoring Program pursuant to the requirements set forth in the Procedures Manual. If Franchisee elects to participate in the Mentoring Program, then Franchisee agrees to abide by all of the rules applicable to the Mentoring Program at the time of Franchisee's election, as set forth in the Procedures Manual.

#### 6. FRANCHISEE'S DEVELOPMENT OBLIGATIONS

**6.1. Fast Start Kit.** If Franchisee is acquiring its first franchise, upon full execution of this Agreement and payment in full of the initial franchise fee, Crestcom will make available to Franchisee,

without additional charge, the Fast Start Kit containing an initial inventory of training materials and sample documents listed on the Fast Start Kit portion of Exhibit II (“**Fast Start Kit**”). Franchisee will be responsible for paying all costs of shipping and all taxes incurred in connection with the sale and shipment of the Fast Start Kit. Crestcom reserves the right to change the mix of materials within the Fast Start Kit at any time after the date of this Agreement without notice or obligation to provide any new items included therein to Franchisee. Alternately, in Crestcom’s sole discretion, Crestcom may provide Franchisee with a credit equivalent in dollar value to Crestcom’s price for the items included in the Fast Start Kit that may be used to acquire materials and products from Crestcom.

**6.2. Equipment and Telephones.** Franchisee will acquire and maintain a telephone system with voice mail, a computer system with videoconferencing equipment and software, a portable DVD player, an iPad or other tablet computer, a video projector, and such other equipment as shall be required from time to time by Crestcom for use in the CRESTCOM Business. All of this equipment must be consistent with and operated in accordance with the minimum standards and specifications of Crestcom, which are set forth in the Procedures Manual. Crestcom reserves the right to establish new and additional minimum specifications for the required equipment by modification to the Procedures Manual.

**6.3. Authorized Representatives.** Franchisee will be solely responsible for appointing and retaining any employees, independent agents, Principal Representatives, Facilitators (as defined in **Section 6.4** below), a maximum of two telemarketers, and a maximum of two Salespersons (as defined in **Section 6.5** below) (collectively referred to as “**Authorized Representatives**”). Franchisee may negotiate the terms under which it will employ any Authorized Representative, including any Salespersons. Franchisee must obtain Crestcom’s prior written approval of all Authorized Representatives before appointing or hiring them. The number of people associated with Franchisee’s CRESTCOM Business, including telemarketers and Salespersons may be changed by Crestcom in its sole discretion, by a change to the Procedures Manual. Franchisee shall screen all of its Authorized Representatives to ensure that they will not reflect adversely on the reputation of Crestcom’s image and system. Franchisee will keep Crestcom informed of the names, addresses, e-mail contact information and telephone numbers of all Authorized Representatives. Crestcom has the right to require Franchisee to cause its Authorized Representatives to sign such contracts as Crestcom shall require. All agreements between Franchisee and its Authorized Representatives must be in a form provided by Crestcom or otherwise approved by Crestcom and shall provide that Crestcom, as a third party beneficiary, may enforce the agreements directly against the Authorized Representatives.

**6.4. Facilitators.** Franchisee acknowledges that Franchisee or an Authorized Representative must be qualified, in accordance with Crestcom’s specifications and standards, to act as the facilitator (“**Facilitator**”) of the Live Instruction conducted on behalf of Clients. All Live Instruction will be conducted only in a manner specifically authorized by Crestcom, as may be described in the Procedures Manual. Crestcom reserves the right to establish a certification program for Facilitators, the terms, conditions and requirements of which shall be set forth in the Procedures Manual. If established, Franchisee shall comply with the terms of the certification program, which may include the requirement that Franchisee’s Facilitators attend and complete additional training programs at Franchisee’s sole expense. Crestcom reserves the right to charge a tuition or fee, in accordance with its then current published rates, to train and certify Franchisee’s Facilitators, if training and certification are required.

**6.5. Salespersons.** Franchisee may employ or engage up to a total of two Authorized Representatives (“**Salespersons**”), in addition to Franchisee, to Market the Materials in the Assigned Area. At no time during the term of this Agreement may Franchisee have more than two Salespersons at the same time, without the prior written consent of Crestcom, which consent may be withheld in Crestcom’s sole and absolute discretion.



**6.6. Commencement of Operations.** The commencement of operation of the CRESTCOM Business shall be deemed to occur upon the later of the date that this Agreement is executed or the date that Franchisee completes the initial training program described in **Section 5.1**.

**6.7. Active Operations.** Unless otherwise agreed to in writing by Crestcom and Franchisee, once Franchisee has commenced operations in accordance with **Section 6.6** above, Franchisee must actively promote and maintain its CRESTCOM Business. Franchisee shall be deemed to be an active franchisee so long as Franchisee continues to conduct The BULLET PROOF Manager training seminars each month during the term hereof, and, after the second full calendar quarter of this Agreement, Franchisee personally generates Gross Revenues (as defined in **Section 11.3** below) of not less than the amount that would be earned from the enrollment of at least six attendees of The BULLET PROOF Manager training program per calendar quarter paying Crestcom's then suggested U.S. minimum retail price.

## **7. DEVELOPMENT ASSISTANCE**

**7.1. Crestcom's Development Assistance.** Prior to or simultaneously with the opening of the CRESTCOM Business, Crestcom will provide Franchisee with the following assistance:

**a.** The initial classroom training program and the initial field training program, as described in **Article 5** above and the Procedures Manual.

**b.** Advice regarding the selection of suppliers of equipment and other items used and Materials offered for sale in connection with the CRESTCOM Business. After execution of this Agreement, Crestcom will make available to Franchisee a list of approved suppliers, if any, of such equipment, items and Materials.

**c.** The Fast Start Kit listed on Exhibit II (or, in Crestcom's sole discretion, a credit that may be used to acquire Materials and products from Crestcom), made available as described in **Section 6.1** above.

**d.** Access to Crestcom's Procedures Manual in accordance with **Article 8** below.

**e.** In Crestcom's discretion, Crestcom may also make recommendations or establish requirements regarding the accounting and reporting systems to be used in the CRESTCOM Business.

## **8. PROCEDURES MANUAL**

**8.1. Procedures Manual.** The primary source and guide to the proper operating and Marketing techniques of a CRESTCOM Business is the Procedures Manual. Crestcom will provide to Franchisee a copy of the Procedures Manual for use during training, and thereafter will make available to Franchisee the Procedures Manual through Crestcom's proprietary, restricted, and confidential licensee's support website, or via another written, audio, video, or online source. Franchisee agrees that it will read and learn the Procedures Manual and will comply with it in the development and operation of Franchisee's CRESTCOM Business as an essential aspect of its obligations under this Agreement. Franchisee also agrees to use the Marks and Licensed Methods, any translations of them, and any substitutes for, items that are a technological evolution of, or any part of them, only as specified in the Procedures Manual. Failure of Franchisee to substantially comply with the Procedures Manual may be considered by Crestcom to be a breach of this Agreement. The Procedures Manual will be in the English

language. Franchisee may not translate the Procedures Manual without Crestcom's prior written consent, which may be withheld for any reason. Crestcom's consent may be conditioned on Franchisee executing Crestcom's then current form of translation agreement.

**8.2. Confidentiality of Procedures Manual Contents.** The Procedures Manual is the sole property of Crestcom and will be used by Franchisee only during the term of this Agreement and in strict accordance with the terms and conditions hereof and in the Procedures Manual. Franchisee may download and print a copy of the Procedures Manual solely for Franchisee's use in its CRESTCOM Business. Otherwise, Franchisee will not duplicate the Procedures Manual nor disclose the contents thereof to persons other than its Authorized Representatives or officers who have signed a confidentiality and noncompetition agreement in a form approved by Crestcom. Franchisee will return all items comprising the Procedures Manual, or any part thereof, to Crestcom immediately upon the expiration, termination or transfer of this Agreement, or at an earlier date upon written request by Crestcom, by prepaid, insured air freight or other prepaid, insured freight as is pre-approved by Crestcom in writing. If the Procedures Manual or any part thereof is held in any electronic form, Franchisee will immediately delete that information upon expiration, termination, or transfer of this Agreement.

**8.3. Changes to Procedures Manual.** Since the Procedures Manual is used by all franchisees, distributors, and Area Developers of Crestcom, Crestcom may determine that changes are necessary to improve Crestcom's entire system. Therefore, Crestcom reserves the right to revise the Procedures Manual from time to time as it deems necessary. Franchisee, within 10 days of receiving any updated information, will conform its operations to the updated provisions. A master copy of the Procedures Manual maintained by Crestcom at its principal office, regardless of whether it is in electronic or other form, will be controlling in the event of a dispute regarding the content of any Procedures Manual.

## **9. OPERATING ASSISTANCE**

**9.1. Crestcom's Available Services.** Crestcom agrees that, during Franchisee's operation of its CRESTCOM Business, Crestcom will provide to Franchisee the following assistance and services:

**a.** Periodic training in sales methods, which sales methods are a trade secret of Crestcom and will not be disseminated to third parties by Franchisee without Crestcom's prior written consent.

**b.** Upon the reasonable request of Franchisee, consultation by telephone or other electronic means regarding the continued operation and management of the CRESTCOM Business and advice regarding sales and training techniques and the Marketing of Materials.

**c.** Advertising and promotional materials or other marketing materials as may be developed by or for Crestcom, the development and other costs of which may be passed through to Franchisee by a charge for the use or acquisition of such items, and periodic access to sales referrals and Marketing information, which may include Crestcom's confidential international client list ("**International Account List**"). The International Account List will be maintained by Franchisee as confidential and a trade secret of Crestcom, will not be duplicated, and will be returned to Crestcom upon request.

**d.** Sales leads and market information, if and when such information becomes available to Crestcom, although Crestcom shall have no liability to Franchisee for its failure to provide such information on a timely basis or at all.

e. On-going updates of information and ideas regarding the sales and management training techniques and other information related to the Licensed Methods, including, without limitation, information about special or new Materials or any Live Instruction techniques, all of which may be developed and made available to franchisees, in the sole discretion of Crestcom. Crestcom reserves the right to charge a fee for any such new Materials or support developed and made available to franchisees.

f. A newsletter as may be periodically published by Crestcom.

g. The training program to replacement or additional Authorized Representatives and Facilitators of Franchisee during the term of this Agreement. Crestcom reserves the right to charge a tuition or fee, payable in advance, at the then current rates of Crestcom for such training. Franchisee will be responsible for all travel and living expenses incurred by its personnel during the training program. Further, the availability of the training programs will be subject to space considerations and prior commitments.

h. From time to time, the Additional Meetings described in **Section 5.2** and the Procedures Manual.

**9.2. Referral of Other Franchisees and Area Developers.** If Franchisee refers a prospective franchisee or area developer (“**Area Developer**”) to Crestcom who was previously unknown to Crestcom, and that person or entity subsequently becomes a franchisee or Area Developer of Crestcom, then Crestcom will provide Franchisee a credit, which may be used to acquire Materials or other items from Crestcom, equal to the lesser of (i) 15 percent of the initial franchise fee or initial area development fee paid by the person or entity referred by Franchisee, or (ii) \$10,000.00. If the new franchisee or Area Developer pays its initial franchise fee or initial area development fee in installments, the credit will be provided on a pro rata basis by the last day of the month in which funds are received. Otherwise, the credit will be provided when the initial franchisee fee or initial area development fee is paid in full. This Section shall not apply if Franchisee is also an Area Developer of Crestcom.

**9.3. Supply of Materials.** Subject to **Section 10.2** below, Crestcom agrees to supply and distribute to Franchisee such Materials that Franchisee orders, subject to availability of such Materials within Crestcom’s own inventory. The inventory of available Materials may be changed or discontinued from time to time by Crestcom, in its sole discretion. The supply and distribution of the Materials to Franchisee will be subject to all terms and conditions related to shipment, allocation, return, restocking, substitution, shipping and handling costs, inventory mix and Materials inventory level requirements as may be described in this Agreement, the Procedures Manual, or other written information made available to Franchisee by Crestcom. Nothing in this Agreement will be construed by Franchisee to be a promise or guarantee as to the continued existence of any particular item within Crestcom’s current inventory of Materials. No provision herein shall be deemed to imply or establish an obligation on the part of Crestcom to sell or otherwise deliver Materials to Franchisee if Franchisee is in arrears on any payment or reporting obligations to Crestcom or otherwise in default under this Agreement.

**9.4. No Obligation to Repurchase Materials.** Crestcom has no obligation to repurchase any Materials from Franchisee, whether provided to Franchisee in the initial supply or a subsequent order, nor to refund all or any part of Franchisee’s purchase price for any Materials purchased by Franchisee.

## **10. FRANCHISEE’S OPERATIONAL COVENANTS**

**10.1. Orders of Materials.** All orders for Materials made by Franchisee during the term of this Agreement will be shipped directly to Franchisee in minimum quantities established by Crestcom

from time to time and as set forth in the Procedures Manual. All orders for Materials must be paid for by Franchisee in full prior to the shipment thereof unless Crestcom agrees to other payment terms, in its sole discretion. The Materials ordered will be shipped F.O.B., Denver, Colorado U.S.A. and Franchisee will be responsible for paying all costs of shipping and all taxes incurred in connection with the sale and shipment of Materials. These costs and taxes will vary. Crestcom may charge additional fees and costs for special shipping services that are necessary or that may be requested by Franchisee. The actual charge to Franchisee for all orders of Materials, other than the Fast Start Kit, will be in an amount set forth in Crestcom's then current published price list, as may be changed from time to time. Franchisee understands that Crestcom may change the price charged for Materials upon 30 days prior notice to Franchisee. Franchisee will also be responsible for paying the Media Access Fee in the amount set forth in **Section 11.4** for each media unit or module ordered by Franchisee and that Crestcom grants Franchisee the right to access and Market.

**10.2. New Materials Surcharge.** Crestcom may from time to time produce or acquire new, revised, or updated training programs, which may be provided in audio, video, online, or other media format, that are not part of the Materials existing as of the execution date of this Agreement (“**New Materials**”) and make these New Materials available to its franchisees. Franchisee must, within six months from the date any New Materials become available, acquire access and rights to New Materials by paying an introductory surcharge of \$400.00 per each new unit or module of the New Materials (the “**New Materials Surcharge**”) and begin Marketing the New Materials to Clients. The New Materials Surcharge is due on the earlier of (i) the first order of any unit or module of the New Materials; or (ii) six months from the date the New Materials become available. As used herein, the term “**Materials**” shall not include any New Materials until Franchisee has paid the New Materials Surcharge in full, and Franchisee shall have no rights to the New Materials until Franchisee pays the New Materials Surcharge in full.

**10.3. Optional Training Programs.** In addition to the standard selection of sales and management training programs offered through a CRESTCOM Business, Crestcom may from time to time in its discretion offer franchisees the option to acquire rights to offer and conduct certain optional sales and management training programs in their CRESTCOM Businesses (the “**Optional Training Programs**”). Crestcom has no obligation to grant Franchisee those rights. If Franchisee is given the opportunity to acquire rights to offer and conduct an Optional Training Program through its CRESTCOM Business, Crestcom will notify Franchisee of the terms and conditions under which Franchisee may acquire the rights to the applicable Optional Training Program, which may include but are not limited to additional franchise, license, access and other introductory fees or surcharges, other additional fees or surcharges, qualification requirements, additional training, and different operating specifications or standards. Crestcom may offer each Optional Training Program under a separate franchise agreement, an addendum to this Agreement, or another agreement, in Crestcom's sole discretion, setting forth the terms and conditions for the relevant Optional Training Program. Franchisee must be in good standing under this Agreement to be afforded the opportunity to acquire rights to any Optional Training Programs. Any Optional Training Program may be discontinued by Crestcom in its sole discretion.

**10.4. Return of Materials.** If Crestcom recalls any Materials or replaces existing Materials with new versions of such Materials, then Franchisee shall, at its sole cost and expense, return to Crestcom such recalled or replaced Materials within 10 days of request by Crestcom.

**10.5. Business Operations.** Franchisee acknowledges that it is solely responsible for the successful operation of its CRESTCOM Business and that the continued successful operation thereof is, in part, dependent upon Franchisee's compliance with this Agreement and the Procedures Manual. In

addition to all other obligations contained in this Agreement and in the Procedures Manual, Franchisee covenants that:

**a.** Franchisee will maintain a professional and ethical CRESTCOM Business operation and will operate the business in accordance with the Procedures Manual and in such a manner as not to detract from or adversely reflect upon the name and reputation of Crestcom and the goodwill associated with the Marks.

**b.** Franchisee will conduct itself and operate its CRESTCOM Business in compliance with all applicable laws and regulations and will be solely and fully responsible for obtaining any and all licenses to carry on its CRESTCOM Business. Franchisee acknowledges that its federal, state, provincial, regional or local government may have laws and regulations applicable to the operation of its CRESTCOM Business. Franchisee is responsible for inquiring about and becoming familiar with all applicable laws and regulations, and determining those actions required for compliance.

**c.** Franchisee or a designated Principal Representative who has completed Crestcom's initial training program will be responsible for the management of its CRESTCOM Business and for expending his or her best, full time efforts toward the management and operations of the business. A qualified Facilitator shall conduct all Live Instruction.

**d.** Unless Franchisee receives the written approval of Crestcom, Franchisee will promote and Market only the Materials and Market and conduct only the Live Instruction as from time to time may be approved by Crestcom to assure uniformity of presentation, quality and range of the Crestcom image and system. Unless Franchisee receives the written approval of Crestcom, Franchisee will refrain from offering or engaging in the Marketing of any other business activity, including conducting any business in violation of **Section 19.1** of this Agreement. If Franchisee engages in another type of business or profession or offers any other types of services or products in addition to Franchisee's CRESTCOM Business, whether or not Crestcom has granted its prior written approval to such actions, Franchisee is required to pay to Crestcom Distribution Fees and Royalty Fees based on the Gross Revenues derived by Franchisee from such other business or activities.

**e.** Franchisee will promptly pay when due all taxes and other obligations due to governmental or quasi-governmental entities or other third parties in the operation of its CRESTCOM Business, including without limitation, unemployment and sales and use taxes, and any and all accounts or other indebtedness of every kind incurred by Franchisee in the conduct of its CRESTCOM Business.

**f.** Franchisee will comply with all agreements with third parties related to its CRESTCOM Business.

**g.** Franchisee will at all times during the term of this Agreement own and control its CRESTCOM Business. Upon request of Crestcom, Franchisee will promptly provide satisfactory proof of such ownership to Crestcom, and, if applicable, the ownership of Franchisee. Franchisee represents that the Statement of Ownership, attached hereto as Exhibit III and by this reference incorporated herein, is true, complete, accurate and not misleading. Franchisee will promptly notify Crestcom of any change in the information contained in the Statement of Ownership, and if requested by Crestcom, execute and deliver a new Statement of Ownership to Crestcom.

**h.** Franchisee shall participate in and abide by the Multiple Area Sales Program set forth in the Procedures Manual (the "**MAS Program**"), related to sales and servicing of Clients with multi-area needs. Franchisee agrees that in the event of a dispute between Franchisee and another franchisee,

distributor, or Area Developer, or any other party related to the MAS Program, the dispute shall be submitted to Crestcom, whose decision shall be final and binding on Franchisee.

i. All Live Instruction scheduled and conducted by Franchisee will be the sole responsibility of Franchisee. If for any reason Franchisee is unable to conduct any scheduled Live Instruction for any reason, Crestcom will have the right but not the obligation to assume Franchisee's responsibilities in connection with the conduct of the Live Instruction. In such event, Franchisee agrees to abide by the policies and procedures set forth in the Procedures Manual related to Crestcom conducting Franchisee's Live Instruction.

j. Franchisee will conduct all communications with Crestcom, whether in writing or verbal, only in the English language.

k. Franchisee acknowledges and agrees that Franchisee is solely responsible for all claims and liability related to any products used in its CRESTCOM Business, and that any claims or liability related to such products, including any strict product liability, constitute Claims arising out of the operation of its CRESTCOM Business for which Franchisee is obligated to indemnify Crestcom in accordance with **Section 18.3**.

l. Franchisee shall use any software or online programs required by Crestcom, including any software or online programs that provide reporting, tracking, or accounting functions, whether now in existence or hereafter developed or acquired by Crestcom that Crestcom requires Franchisee to obtain or use, and to comply with all agreements, restrictions, and conditions thereof (the "**Mandatory Computer Systems and Programs**"). Franchisee shall pay any fees associated with any Mandatory Computer Systems and Programs, and submit all reports required by Crestcom that are created or generated by such Mandatory Computer Systems and Programs as Crestcom shall require. Crestcom reserves the right during the term of this Agreement, in its sole discretion, to modify, change, alter, and/or otherwise provide Franchisee enhancement and maintenance upgrades to any Mandatory Computer System and Program and/or offer and require different or new programs that may be replacements of or additions to the Mandatory Computer Systems and Programs then being offered, or to discontinue any and all Mandatory Computer Systems and Programs of any kind that may be required by Crestcom.

**10.6. Continuing Qualification to Conduct Live Instruction.** Franchisee will be responsible for ensuring that all Facilitators at all times meet the minimum standards and specifications of Crestcom with respect to continued qualification, and, if required by Crestcom, are certified, as a Facilitator. In its sole discretion, Crestcom or its designee may periodically evaluate any Facilitator to determine his or her qualification to conduct Live Instruction. If Crestcom determines or has reason to believe that any of Franchisee's Facilitators are not qualified to provide Live Instruction, Crestcom will notify Franchisee in writing and the Facilitator will be required to attend and successfully complete additional training at Franchisee's sole expense before conducting any further Live Instruction.

**10.7. Live Instruction Monitoring and Responsibility.** Crestcom or its designated representatives will at all times be entitled to monitor or record the Live Instruction conducted by Franchisee, to evaluate the Facilitator, and to otherwise obtain and maintain information from such Live Instruction and from Franchisee regarding such Live Instruction. Upon request, Franchisee shall furnish Crestcom the number, names, addresses and telephone numbers of all attendees of Franchisee's Live Instruction programs. Franchisee agrees that such information constitutes the confidential, proprietary information of Crestcom, and that information related to Franchisee's attendees can be added to and become a part of Crestcom's International Account List and otherwise used by Crestcom as it deems

proper. Crestcom may, in its sole discretion, contact any attendee to determine levels of satisfaction, to conduct internal studies, and for such other purposes as Crestcom deems proper.

**10.8. Clients With Disabilities.** Franchisee agrees that if Franchisee sells any Materials to, or conducts Live Instruction for any individuals who are blind, hearing impaired, or who have other similar physical conditions which may require special equipment or modification of the format of such Materials or Live Instruction, Franchisee shall obtain Crestcom's prior consent to any such modification of the Materials. Franchisee shall be solely responsible for all costs and expenses associated or incurred in the acquisition and use of any special equipment required to be obtained, or in making any approved modifications to the format of the Materials.

**10.9. Requirements for Entity Franchisees.** If Franchisee is a corporation, partnership, limited liability company or other business entity, Franchisee agrees that it and its Principal Representatives will abide by the additional conditions related to entity franchisees that are set forth in the Procedures Manual.

**10.10. Newsletters.** Franchisee acknowledges that one of Crestcom's primary methods of communication with Crestcom franchisees, distributors, and Area Developers is through its periodically published newsletter, *The Best of Crest*. Franchisee is responsible for knowing all of the information contained in Crestcom's newsletters, and complying with any standards and specifications set forth therein. Crestcom may establish and change the standards and specifications for the operation of a CRESTCOM Business through those newsletters.

## 11. CONTINUING FEES AND PAYMENTS

**11.1. Royalty.** Franchisee agrees to pay Crestcom, in addition to payment of any other amounts payable under this Agreement, a continuing royalty ("**Royalty Fee**") in the amount of 1.5 percent of the total amount of Franchisee's Gross Revenues generated from or through its CRESTCOM Business (including any Gross Revenues derived from any other business or profession operated by or through the CRESTCOM Business, whether or not approved by Crestcom in accordance with **Section 10.5.d** above).

**11.2. Distribution Fee.** Franchisee agrees to pay Crestcom, in addition to payment for the Materials and any other amounts payable hereunder, a fee of 34 percent of the total amount of Franchisee's Gross Revenues generated from or through Franchisee's CRESTCOM Business ("**Distribution Fee**"). Franchisee acknowledges that the Distribution Fee represents Crestcom's portion of the profit from the distribution of the Materials (including any Gross Revenues derived from any other business or profession operated by or through the CRESTCOM Business, whether or not approved by Crestcom in accordance with **Section 10.5.d** above).

**11.3. Gross Revenues.** "**Gross Revenues**" is all receipts and income of any kind generated through Franchisee's CRESTCOM Business or otherwise from the sale, transfer, rental, lending, display, performance or provision of the Materials and the conduct of Live Instruction, other use or sale of the Materials, speaking services, or other materials or services sold or provided by Franchisee, whether or not approved by Crestcom in accordance with **Section 10.5.d** above, including the provision of any products, services or materials for cash or upon credit, or partly for cash and partly for credit, exclusive only of applicable sales taxes. "**Gross Revenues**" also includes the fair market value of any products, services or materials received by Franchisee in barter or exchange for its products, services and materials; provided, however, that Franchisee may exclude from its Gross Revenues for the purposes of determination of the Distribution Fee and Royalty Fee the fair market value of any barter or exchange arrangement with a

Client, pursuant to which the Client is to provide a facility for the conduct of the Live Instruction in exchange for all or a part of the fees which would otherwise be due for the Live Instruction, for one such exchange per calendar year.

**11.4. Media Access Fee.** Franchisee agrees to pay Crestcom, in addition to payment of any other amounts payable under this Agreement, including the payment related to any media units or modules pursuant to **Section 10.1**, an access fee (“**Media Access Fee**”) of \$7.00 for each media unit or module that Crestcom grants Franchisee the right to access and Market. Franchisee acknowledges that the Media Access Fee represents payment for the right to use the media units and modules.

**11.5. Client Access Fee.** Crestcom reserves the right, upon 30 days prior written notice to Franchisee, to require Franchisee to pay Crestcom, in addition to payment of any other amounts payable under this Agreement, a client access fee (“**Client Access Fee**”) in an amount set forth in Crestcom’s then current published price list, as may be changed from time to time. The Client Access Fee permits Franchisee’s Clients to view and utilize the Materials at Client’s offices or elsewhere through an online streaming system established and utilized by Crestcom. Franchisee understands that Crestcom may change the price charged for the Client Access Fee upon 30 days prior notice to Franchisee. The Client Access Fee, once due, will be payable at the times and in the manner specified by Crestcom.

**11.6. Payments to Crestcom.**

**a.** Franchisee agrees that all fees and other charges due hereunder will be paid by Franchisee in accordance with the payment terms that are set forth in the Procedures Manual or as otherwise agreed to by Crestcom in writing.

**b.** Upon the request of Crestcom, Franchisee shall deliver to Crestcom a fully completed and executed credit card authorization, which is attached to this Agreement as Exhibit V (the “**Credit Card Authorization**”). Franchisee agrees to abide by Crestcom’s policies related to the maintenance and use of its credit card as set forth in the Procedures Manual.

**c.** Upon Crestcom’s request, Franchisee will immediately notify its Clients and instruct them to make all payments owed to Franchisee related to the CRESTCOM Business to Crestcom directly, and Franchisee will assign Crestcom those payment rights. Franchisee will provide such additional assistance and cooperation as Crestcom may request in order to arrange for the direct payments to Crestcom. If Franchisee fails to promptly instruct its Clients or take other action requested by Crestcom, Crestcom may notify the Clients directly. When Crestcom receives the direct payments from Clients, Crestcom will deduct any fees or other amounts owed to it by Franchisee, and then deliver the remaining amount to which Franchisee is entitled, if any, to Franchisee within 48 hours of Crestcom’s receipt of the good funds from the Clients. Franchisee shall remain responsible for fulfilling any obligations owed by Franchisee to its Clients.

**11.7. Minimum Monthly Requirement.** Beginning with the third full calendar quarter after the execution of this Agreement, Franchisee must average Gross Revenues on a monthly basis over each calendar quarter equal to the dollar amount that would be realized from at least two attendees of The BULLET PROOF Manager training program paying Crestcom’s then suggested U.S. minimum retail price (“**Minimum Monthly Requirement**”). Sales of Materials made by Salespersons directly retained by Franchisee shall be credited toward Franchisee’s Gross Revenues for purposes of determining if Franchisee has satisfied its Minimum Monthly Requirement. If during any calendar quarter Franchisee fails to, on average, meet the Minimum Monthly Requirement, then (i) Franchisee shall immediately after the end of the applicable calendar quarter pay Crestcom the difference between the Distribution Fees and



Royalty Fees applicable to the Minimum Monthly Requirement (the “**Minimum Monthly Fees**”) for the three months of that calendar quarter and the actual Distribution Fees and Royalty Fees paid to Crestcom by Franchisee during that calendar quarter (which difference shall be referred to as the “**Initial Quarter MMR Fee**”), and (ii) starting the next month and continuing each month thereafter, Franchisee must pay Crestcom the greater of the Minimum Monthly Fees or the actual Distribution Fees and Royalty Fees due for that month. Once the Minimum Monthly Requirement is commenced, if the total Distribution Fees and Royalty Fees which are actually paid by Franchisee during any month do not equal or exceed the Minimum Monthly Fees for that month, on or before the last working day of that month Franchisee will pay Crestcom the difference between the Minimum Monthly Fees and the amount actually paid (the “**Ongoing Monthly MMR Fee**,” and together with the Initial Quarter MMR Fee, the “**MMR Fees**”). Once paid, Crestcom will credit the MMR Fees against any Distribution Fees and Royalty Fees owed by Franchisee in any subsequent month to the extent that the fees owed in that month exceed the Minimum Monthly Fees due Crestcom for that month. Franchisee acknowledges that Crestcom has earned the MMR Fees upon receipt thereof and that other than Franchisee’s right to have the MMR Fees applied as a credit as described in this Section, the MMR Fees are nonrefundable to Franchisee once they are paid unless Crestcom determines, in its sole discretion based on all circumstances surrounding Franchisee’s failure to reach the Minimum Monthly Requirement, that refunding all or a portion of the MMR Fees is equitable. If Franchisee fails to pay at least the Minimum Monthly Fees in any month during the remainder of the term of this Agreement, Franchisee will be in default of this Agreement and Crestcom may, in its sole discretion, terminate this Agreement. Crestcom has the right, in its sole discretion and on a case-by-case basis, to waive the obligation of Franchisee or any other franchisee of Crestcom to meet the Minimum Monthly Requirement or pay the MMR Fees in any month. A waiver of this requirement by Crestcom for any other franchisee will not in any way affect Franchisee’s obligation to meet the Minimum Monthly Requirement or pay the MMR Fees in accordance with this Section.

**11.8. Late or Insufficient Payments or Reports.** If Franchisee fails to pay any fees or other amounts due Crestcom when due, or deliver any report in accordance with **Article 14** below when due, Franchisee shall, in addition to the payment of such fees or other amounts, pay an “**Administrative Fee**” of \$10.00 per late fee or payment, plus a “**Late Charge**” of 3 percent of the actual past due amount. If any payment required to be made by Franchisee is seven or more days late, Franchisee shall also pay interest on any past due amounts at the lesser of 18 percent per annum, or the highest rate allowable per law, accruing from the date of default. This same interest rate shall apply as the post-judgment interest rate, regardless of the applicable statutory rate, in the event of any legal actions related to this Agreement. Crestcom may charge the Administrative Fee, Late Charge, and interest to Franchisee’s credit card account, with or apart from the actual past due fees or other amounts owed to Crestcom. If Franchisee fails to pay any fees or other amounts in furtherance of an Act of Deception (as defined in **Section 14.5** below), then the interest due shall be computed in accordance with the terms of **Section 14.5** below.

## **12. QUALITY CONTROL**

**12.1. Standards and Specifications.** Crestcom will make available to Franchisee standards and specifications for Materials, Live Instruction and related materials and services offered at or through the CRESTCOM Business and the sales and management training techniques, forms, and business methods used in connection with the CRESTCOM Business, which standards and specifications Crestcom reserves the right to change upon 10 days prior written notice to Franchisee. The primary sources for such standards and specifications are the Procedures Manual and *The Best of Crest* newsletter. Franchisee acknowledges that the Materials, the Live Instruction techniques, and the related business methods are of a dynamic nature and may change, evolve and be enhanced from time to time as deemed necessary and appropriate by Crestcom.

**12.2. Approval of Advertising or Promotional Materials.** Franchisee will abide by the advertising requirements set forth in the Procedures Manual. Franchisee will obtain Crestcom's prior written approval of all advertising of any kind, including any advertising and promotional materials related to (a) its CRESTCOM Business, (b) the Marketing of Materials or the Marketing or conducting of Live Instruction, (c) the solicitation and promotion of Authorized Representatives, (d) the promotion and marketing of its CRESTCOM Business, and (e) the solicitation and promotion of any brokers or intermediaries engaged by Franchisee to promote or market its CRESTCOM Business. Franchisee acknowledges that web pages and websites on the Internet constitute advertising. Franchisee shall not establish or create any web pages or websites on the Internet without Crestcom's prior written approval and then only in accordance with the standards and specifications set forth in the Procedures Manual. Modifications to any advertising, including any web pages or websites, must also be approved by Crestcom. Franchisee acknowledges that advertising and promoting its CRESTCOM Business and the Materials in accordance with Crestcom's standards and specifications is an essential aspect of the Licensed Methods, and Franchisee agrees to comply with all advertising standards and specifications. Crestcom's approval of any advertising or promotional materials may be withheld or withdrawn in Crestcom's sole discretion.

**12.3. Restrictions on Services and Materials.** If Franchisee proposes to offer, use or Market any services, products, materials, forms, supplies or other items in connection with its CRESTCOM Business that have not previously been approved by Crestcom as meeting its specifications, Franchisee will first notify Crestcom in writing requesting approval. Crestcom may, for any reason whatsoever, elect to withhold such approval. In order to make such determination, Crestcom may require submission of specifications, information, or samples of such services, products, materials, forms, supplies or other items. Crestcom will advise Franchisee within a reasonable time whether such services, products or other items meet its specifications or are otherwise acceptable.

**12.4. Approved Suppliers.** Franchisee will purchase all items or services used in the operation of its CRESTCOM Business from suppliers designated by Crestcom or from such other suppliers who meet all of Crestcom's specifications and standards as to quality, content, composition and service, and who will adequately demonstrate to Crestcom their capacity and facilities to supply Franchisee. Crestcom will not require any fee to be paid to it to secure supplier approval; provided, however, that Crestcom may, in its sole discretion, require the subject supplier or Franchisee to reimburse Crestcom for any expenses Crestcom incurs in determining if the supplier meets Crestcom's specifications and standards. Crestcom reserves the right to revoke its approval of any supplier by delivery of written notice to Franchisee and supplier, if Franchisee is using that supplier.

**12.5. No Modifications to Materials.** Franchisee may not modify the Materials or any aspect of the Materials in any manner without the prior written consent of Crestcom. A modification for purposes of this Section shall include, but not be limited to, an addition of any logos, stickers, graphics, or other information to any of the Materials, a covering or concealment of any part of the Materials, or a change in the appearance or content of the Materials. Crestcom may, for any reason whatsoever, elect to withhold its consent to any such modification. In order to make such determination, Crestcom may require submission of specifications, information, or samples of such modified Materials.

### **13. TRADEMARKS, TRADE NAMES AND PROPRIETARY INTERESTS**

**13.1. Marks.** Franchisee acknowledges that Crestcom has the sole right to license and control Franchisee's use of the Marks and that the Marks will remain under the sole and exclusive control of Crestcom. Franchisee acknowledges that it has not acquired any right, title or interest in the Marks except

for the right to use the Marks in the operation of its CRESTCOM Business as it is governed by this Agreement.

**13.2. No Use of Other Marks.** Franchisee agrees that no trademarks or service marks other than “CRESTCOM<sup>®</sup>”, “CRESTCOM TRAINERS TO THE WORLD<sup>®</sup>”, “THE BULLET PROOF MANAGER<sup>™</sup>”, “BULLET PROOF<sup>®</sup>,” or such other Marks as may be specified by Crestcom, will be used in the Marketing, promotion or operation of its CRESTCOM Business.

**13.3. Licensed Methods.** Franchisee acknowledges that Crestcom owns and controls the distinctive plan for the establishment, operation and promotion of CRESTCOM Businesses and all related licensed methods of doing business, defined in this Agreement as the “**Licensed Methods,**” which include, but are not limited to, (1) all proprietary information concerning Crestcom’s business and the CRESTCOM Businesses; (2) all of Crestcom’s financial information other than such financial information as may be filed with government regulatory agencies; (3) franchise and distributorship sales processes and promotional methods and materials; (4) Materials and Live Instruction Marketing methods; (5) sales, motivational and management training techniques; (6) all nonpublic statistical information regarding Crestcom and CRESTCOM Businesses; (7) International Account Lists; (8) the strategic plan, budgets and projections for Crestcom; (9) all information concerning negotiations of any kind conducted by Crestcom whether pending or completed; (10) all marketing research data and marketing plans; (11) all lead generation or prospecting methods; (12) all information contained in Crestcom’s Procedures Manual, and any other manual or nonpublic written information about Crestcom, its Materials or Live Instruction; (13) Crestcom’s written, video medium, audio medium, online medium, and related documentation and information including that contained on websites or on the Internet which relate to conducting live training programs; and (14) internal lists of Crestcom’s current and former franchisees, distributors, Area Developers, and Clients, including contact information such as physical addresses and e-mail addresses thereof; all of which constitute trade secrets of Crestcom. Franchisee acknowledges that Crestcom has valuable rights in and to such trade secrets. Franchisee further acknowledges that it has not acquired any right, title or interest in the Licensed Methods except for the right to use the Licensed Methods in the operation of its CRESTCOM Business as it is governed by this Agreement.

**13.4. Crestcom’s Rights to Modifications and Innovations.** In order to maintain the uniformity of the Licensed Methods, if, in the course of operating its CRESTCOM Business, Franchisee develops or improves any aspect of the Licensed Methods, any and all plans, methods, ideas and systems and materials related to such development or improvement shall inure to the benefit of Crestcom, shall be owned by Crestcom as a part of the Licensed Methods, and may, in Crestcom’s sole discretion, be made available to other franchisees, distributors, and Area Developers of Crestcom.

**13.5. Copyrights.** Franchisee acknowledges that Crestcom is the owner of the Materials in which it claims a copyright. Franchisee is not acquiring any rights hereunder to make copies or replications of any of the Materials, or any part thereof, or to prepare derivative works therefrom and agrees to refrain from doing so, both directly and indirectly. Franchisee agrees not to register or attempt to register such copyrights in any manner whatsoever.

**13.6. Infringement.** Franchisee agrees to notify Crestcom in writing of any possible infringement or illegal use by others of a name, symbol, trademark, material or method of operations which is the same as or confusingly similar to any of the Marks, or any copyrighted Materials, or the Licensed Methods, or any part thereof, which comes to its attention. Franchisee acknowledges that Crestcom will have the right, in its sole discretion, to determine whether any action will be taken on account of any possible infringement or illegal use. Crestcom may commence or prosecute such action in Crestcom’s own name or may join Franchisee as a party to the action, in either event at Crestcom’s

expense, if Crestcom determines it to be appropriate or necessary for the continued protection and quality control of the Marks, Licensed Methods or copyrights. Franchisee agrees that, without a fee or other charge to Crestcom, it shall fully cooperate and participate with Crestcom in any such litigation. If Crestcom decides to protect Franchisee related to any infringement, Crestcom will reimburse Franchisee for its costs, including attorney's fees and courts costs, associated with any litigation commenced or defended on Franchisee's behalf, from amounts Crestcom recovers in litigation (if any), which are in excess of Crestcom's costs.

**13.7. Franchisee's Business Name.** Franchisee acknowledges that Crestcom has a prior and superior claim to the Marks and Crestcom's corporate name and trade names. Franchisee will not use the designations "CREST," "INTERNATIONAL," "CRESTCOM," "THE BULLET PROOF MANAGER," "BULLET PROOF," "BPM," "KREST" or "KRESTCOM" or any portion or variation thereof, in the legal name of its corporation, partnership or other business entity used in conducting its CRESTCOM Business, nor use any of such Marks or trade names or any portion or variation thereof as part of an electronic mail address or on any websites including social networking websites, or otherwise display them on the Internet in any manner, without the prior written consent of Crestcom, which consent may be withheld for any reason, or which may be conditioned upon Franchisee conditionally assigning the name, e-mail address, or website to Crestcom exercisable upon a default by Franchisee under, or termination or expiration of, this Agreement. Franchisee also agrees not to register or attempt to register any of the Marks or trade names, or any portion or variation thereof, as a domain name on the Internet, nor register or attempt to register a trade name using the designations "CREST," "INTERNATIONAL," "CRESTCOM," "THE BULLET PROOF MANAGER," "BULLET PROOF," "BPM," "KREST" or "KRESTCOM" or any portion or variation thereof, in Franchisee's name or that of any other person or business entity, without the prior written consent of Crestcom, which consent may be withheld for any reason. During the term of this Agreement, Franchisee may reference that it is an "authorized licensee," "franchisee," or similar reference, of Crestcom.

**13.8. Change of Marks.** If Crestcom, in its sole discretion, determines it necessary to modify or discontinue use of any proprietary Marks, or to develop additional or substitute marks, Franchisee shall, within a reasonable time after receipt of written notice of such a modification or discontinuation from Crestcom, take such action, at Franchisee's sole expense, as may be necessary to comply with such modification, discontinuation, addition or substitution.

## **14. REPORTS, RECORDS AND FINANCIAL STATEMENTS**

**14.1. Franchisee Reports.** Franchisee will establish and maintain at its own expense a bookkeeping and accounting system, which conforms to the specifications that Crestcom may prescribe from time to time. Franchisee will supply to Crestcom such reports and other financial information in a manner and form as Crestcom may from time to time require. All reports and financial information to be furnished to Crestcom will be signed and verified by Franchisee. Franchisee shall be responsible for any inaccuracies, errors, or omissions in the reports and financial information furnished.

**14.2. Accounts; Books and Records.** Franchisee must have no more than two operating bank accounts for its CRESTCOM Business, into which all revenues of the Crestcom are deposited. Franchisee will maintain all books and records for its CRESTCOM Business in accordance with generally accepted accounting principles acceptable to Crestcom and consistently applied, and preserve these records for at least five years after the fiscal year to which they relate.

**14.3. Audit of Books and Records.** Franchisee shall maintain its books and records relating to its CRESTCOM Business for at least five years after the fiscal year to which they relate. Crestcom or

its designated representatives may inspect and/or audit such records, or any other records of Franchisee or any party affiliated with Franchisee, including but not limited to Franchisee's Principal Representatives, other owners, guarantors, officers, directors, or Authorized Representatives, any immediate family members of Franchisee or of such affiliated parties, or any companies or entities associated with Franchisee or such affiliated parties, that Crestcom in its sole discretion determines may be relevant in determining the business results of Franchisee's CRESTCOM Business; such as verifying that Franchisee has paid all fees and other amounts owed to Crestcom based on the revenues of Franchisee or otherwise. Any such inspection or audit shall be conducted at Crestcom's expense, except that Franchisee will be responsible for any expenses associated with collecting and delivering any documents requested by Crestcom for its inspection or audit. Inspections and audits conducted at the Franchise Location may take place without prior notice, during normal business hours. Crestcom may also request at any time the records from Franchisee or its affiliated parties be sent to Crestcom's offices or another location to permit the inspection or audit of such records to be conducted at Crestcom's place of business or the other location. If Crestcom requests documents be sent for the purpose of conducting an inspection or audit at a location other than the Franchise Location, Franchisee shall provide the requested documents to Crestcom within the time period set forth in Crestcom's request. Franchisee agrees that Crestcom will have the right to inspect and audit any records of Franchisee or any affiliated party that Crestcom determines to be relevant in its sole discretion, which records may include but are not limited to (i) tax returns; (ii) quarterly and/or annual financial statements, including profit and loss statements and balance sheets; (iii) copies of check ledgers and bank statements for checking and savings accounts; (iv) copies of any checks or other evidence of payments; (v) all contracts or agreements entered into by Franchisee and any third parties related to its CRESTCOM Business, including but not limited to enrollment contracts entered with Clients; and (vi) any other documents requested by Crestcom. Crestcom may audit and inspect documents covering a period beginning with the date on which Franchisee first acquired its CRESTCOM Business and ending on the date such audit is concluded. All documents provided for Crestcom's inspection or audit must be certified by Franchisee and the appropriate affiliated party, if applicable, as true, complete and correct. Inspections and audits may be conducted following the termination or expiration of this Agreement for any reason. If any inspection or audit discloses a deficiency in amounts of payments owed to Crestcom pursuant to this Agreement then such amounts will become immediately payable to Crestcom by Franchisee, with Administrative Fees, Late Charges and interest from the date such payments were due in accordance with **Section 11.8** hereof, except for Acts of Deception which shall be governed by the provisions of **Section 14.5** hereof. In addition, if it is found by any inspection or audit that the Gross Revenues of its CRESTCOM Business have been understated by 2 percent or more during the period audited, or if Franchisee has failed for three or more consecutive reporting periods to submit to Crestcom any required statement or report, Franchisee must pay all reasonable costs and expenses Crestcom incurred in connection with the inspection or audit, including the costs and fees of any independent accountant and the travel and living expenses and compensation of any of Crestcom's employees or agents conducting such inspection or audit.

**14.4. Failure to Comply with Reporting Requirements.** If Franchisee fails to prepare and submit any statement or report as required under this Article, Crestcom shall have the right to charge the Administrative Fee and Late Charge set forth in **Section 11.8** above. In addition, if Franchisee's failure constitutes an Act of Deception then Crestcom will have the right to proceed in accordance with **Section 14.5**. Crestcom's rights to conduct inspections and audits as provided in **Section 14.3** above may be exercised at any time Crestcom chooses, including at any time Franchisee fails to prepare and submit any statement or report required under this **Article 14**. Crestcom's right to conduct inspections and audits shall be in addition to all other remedies that are available to Crestcom.

**14.5. Act of Deception.** Notwithstanding anything to the contrary contained in this Article, if a breach occurs under **Sections 10.5.d, 11.1, 11.2, 11.4, 11.5, 11.6, 14.1, 14.2, 14.3** and/or **14.4** due to

Franchisee failing to pay or report to Crestcom any sales pursuant to the terms established hereunder; or if Franchisee fails to provide any contracts between Franchisee and its Clients to Crestcom; or underpays any amounts owed to Crestcom, including amounts discovered in an audit of Franchisee's books and records; or provides reports to Crestcom that are incomplete, inaccurate or misleading in any respect, and said breach remains uncured for 25 days or more, regardless of whether notice of default has been given during said time period, said act shall be deemed a deceptive act by Franchisee to prevent Crestcom from receiving its fees based on the sale (an "**Act of Deception**"). The occurrence of an Act of Deception would result in serious damage to Crestcom and the Crestcom system in that it would (i) result in Crestcom receiving less compensation than it is entitled; (ii) result in substantial costs to Crestcom in responding to the Act of Deception, based on the need to research Franchisee's activities, contact third parties, coordinate an audit, and/or take other actions; (iii) demand substantial effort and attention of Crestcom's representatives, in turn diverting their attention from their ordinary duties devoted to Crestcom and its services for the Crestcom system; and (iv) encourage other franchisees, distributors, or Area Developers of Crestcom to engage in similar acts, thereby contributing to a general atmosphere of noncompliance within the Crestcom system. At the same time, Crestcom and Franchisee acknowledge and agree that these damages, due to their nature, would be difficult to quantify. Therefore, upon discovery of an Act of Deception by Crestcom, Franchisee shall pay Crestcom as liquidated damages and not as a penalty, 100 percent of Franchisee's gross amount of the entire applicable sale or sales involved in the Act of Deception, together with any Administrative Fees and Late Charges in accordance with the terms of this Agreement, plus interest at the highest rate allowable by applicable law on such amount from the first date any fees arising from such sale were due to Crestcom. With respect to an Act of Deception, this interest provision shall supersede any other interest provision in this Agreement. This same interest rate shall apply as the post-judgment interest rate, regardless of the applicable statutory rate, in the event of any legal actions related to an Act of Deception under this Agreement. Additionally, once an Act of Deception is discovered, Crestcom or its designated representatives may conduct an inspection or audit of the records of Franchisee or any of its affiliated parties as stated in **Section 14.3**, provided, however, that any inspection or audit conducted as a result of the discovery of an Act of Deception shall be performed at Franchisee's sole cost and expense and shall be conducted at any time of Crestcom's choosing. Crestcom shall provide written notice to Franchisee of its election to conduct an audit of Franchisee's books and records pursuant to this Section and upon receipt of such written notice, Franchisee shall immediately pay to Crestcom \$25,000.00 (the "**Audit Fee**"), which Audit Fee shall be utilized by Crestcom to offset the cost and expenses incurred by Crestcom or its designated representatives in conducting such audit. If the final costs and expenses of the audit are less than the Audit Fee, Crestcom shall either, in its sole discretion, refund the excess portion of the Audit Fee to Franchisee or offset such excess portion of the Audit Fee against other amounts determined to be due to Crestcom. If the actual cost of the audit exceeds the Audit Fee, Franchisee shall pay Crestcom the excess amount within 10 days of written notice of the deficiency and demand for payment. Failure on the part of Franchisee to pay the excess amount shall be deemed a continuing default of Franchisee under this Agreement.

## 15. TRANSFER

**15.1. Transfer by Franchisee.** The franchise granted herein is personal to Franchisee and, except as stated below, Crestcom will not allow or permit any Transfer, as defined below, by Franchisee or any owner of Franchisee. The term "**Transfer**," as used in this Agreement, means and includes the voluntary, involuntary, direct or indirect assignment, sale, gift or other similar disposition.

**15.2. Pre-Conditions to Franchisee's Transfer.** Franchisee will not sell, transfer, sublicense, assign, subfranchise or convey its rights under this Agreement or any interest in it, or all or any part of any business entity that owns it, or all or a substantial portion of the assets of its CRESTCOM Business

(in each case, a “**Transfer**”), unless Franchisee and the transferee obtain Crestcom’s written consent and they comply with all of the following requirements:

**a.** Franchisee provides Crestcom written notice of the proposed Transfer not less than 30 days prior to the proposed effective date of the Transfer, such notice to contain information sufficiently detailed to enable Crestcom to evaluate the terms and conditions of the proposed Transfer.

**b.** Franchisee has paid all amounts due to Crestcom or, if applicable, to Crestcom’s affiliates pursuant to this Agreement, and to third parties whose debts or obligations Crestcom has guaranteed on behalf of Franchisee, and is otherwise not in default to Crestcom under this or any other agreement.

**c.** The transferee satisfactorily completes Crestcom’s then current initial franchisee training program, which training must be completed by the transferee prior to the effective date of the Transfer. The transferor or the transferee shall be required to pay to Crestcom, at Crestcom’s option, a franchisee training fee of \$3,500.00 (the “**Transferee Training Fee**”), which shall be payable even if the transferee is experienced in management, sales and personnel development training, and as a result, all or portions of the training program are waived, or if Crestcom authorizes a third party to conduct the training. The Transferee Training Fee will be refunded to the transferee if Crestcom determines that the transferee does not meet Crestcom’s qualification requirements or fails to successfully complete Crestcom’s training program.

**d.** The transferee assumes in writing all of Franchisee’s obligations pursuant to this Agreement, or at the option of Crestcom, the transferee executes a new Franchise Agreement in a form then currently offered by Crestcom, the term of which may end on the expiration date of this Agreement, and which will supersede this Agreement in all respects. If a new Franchise Agreement is signed, the terms thereof may differ from the terms of this Agreement; provided, however, the transferee will not be required to pay any additional initial franchise fee and will not be entitled to receive the Fast Start Kit (or any credit for the acquisition of goods and services), but the transferee will be required to pay any applicable New Materials Surcharges at or prior to the time of the Transfer.

**e.** The proposed transferee must be an individual or entity whom Franchisee initially contacted in regard to its CRESTCOM Business (as opposed to an individual or entity who became aware of Franchisee’s CRESTCOM Business through the promotional efforts or contacts of Crestcom, through other Crestcom franchisees, distributors, or Area Developers, or otherwise learned about Franchisee’s CRESTCOM Business by means other than a direct introduction by Franchisee). The proposed transferee shall provide information to Crestcom sufficient for Crestcom to assess the proposed transferee’s business experience, aptitude and financial qualifications, and Crestcom will have ascertained that the proposed transferee meets such qualifications.

**f.** Franchisee executes a consent or transfer agreement, in the form established by Crestcom, which (unless prohibited by law) shall include a general release of any and all claims against Crestcom, its affiliates and their respective officers, directors, employees and agents.

**g.** Franchisee or the proposed transferee pays Crestcom a transfer fee in the amount of \$16,500.00 (“**Transfer Fee**”). The Transfer Fee will be refunded only if the proposed transferee is not approved in accordance with this Article or does not complete Crestcom’s training program to Crestcom’s satisfaction.

**h.** Franchisee agrees to abide by the post-termination covenants set forth in **Article 19** below and elsewhere in this Agreement.

**15.3. Crestcom's Approval of Transfer.** Crestcom has 15 days from the date of the proposed transferee's successful completion of Crestcom's initial training program to give written approval or disapproval of Franchisee's proposed Transfer. Franchisee acknowledges that the proposed transferee will be provided, if appropriate, with such disclosure documents and other information as may be required by applicable law. If Franchisee and its proposed transferee comply with all conditions for a Transfer as set forth herein and Crestcom has not given Franchisee notice of its approval or disapproval within such period, approval is deemed granted. Crestcom's prior approval of advertising (as specified in **Section 12.2** above and the Procedures Manual) is also required for any advertising related to Franchisee's attempt to sell or to otherwise Transfer its CRESTCOM Business.

**15.4. Waiver of Transfer Fee.** Crestcom will waive the Transfer Fee set forth in **Section 15.2.g** in regard to the following Transfers, although all other requirements set forth in this **Article 15** shall apply:

**a.** If Franchisee is a business entity, a Transfer of less than 25 percent of the ownership interest in the Franchisee business entity. If there are multiple Transfers that result in a total Transfer of 25 percent or more of the ownership interest in the Franchisee business entity, then this **Section 15.4** will not apply and Franchisee shall pay the Transfer Fee at such time as the 25 percent level is reached.

**b.** If Franchisee is one or more individuals, a Transfer from such individual or individuals to a business entity wholly owned and controlled by them, so long as this Agreement is not signed as part of Franchisee's exercise of successor franchise rights and such Transfer occurs no later than 90 days following the date of this Agreement. Any entity transferee shall comply with the terms of **Section 10.9** and the Procedures Manual.

**15.5. Franchisee's Death or Disability.** Upon the death or permanent disability of Franchisee (or an individual owning more than a 25 percent interest in the Franchisee entity), the executor, administrator, conservator, guardian or other personal representative of such person will Transfer Franchisee's interest in this Agreement (or such interest in the Franchisee entity) to a third party approved by Crestcom. Such Transfer of this Agreement (or such interest), including, without limitation, Transfer by bequest or inheritance, will be completed within a reasonable time, not to exceed 120 days from the date of death or permanent disability, and will be subject to all terms and conditions applicable to Transfers contained in this Article. However, in a Transfer under this Section, there will be no Transfer Fee charged by Crestcom but the proposed transferee will be responsible for attending and completing, at the proposed transferee's sole expense, the initial training program and paying the Transferee Training Fee set forth in **Section 15.2.c** above. Failure to Transfer the interest in this Agreement or such interest in the Franchisee entity within the given period of time shall, at the option of Crestcom, constitute a breach of this Agreement. For the purposes hereof, the term "**permanent disability**" will mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Franchisee or the owner of more than a 25 percent ownership interest in Franchisee entity from supervising the management and operation of the CRESTCOM Business for a period of 120 days from the onset of such disability, impairment or condition.

**15.6. Transfer by Crestcom.** This Agreement is fully assignable by Crestcom and will inure to the benefit of any assignee or other legal successor in interest. If Crestcom assigns this Agreement to a third party who expressly assumes Crestcom's obligations under this Agreement, Crestcom will be relieved from any performance or other obligations under this Agreement.



## 16. TERM AND EXPIRATION

**16.1. Term.** The term of this Agreement is for a period of seven years from the date of this Agreement, unless sooner terminated as provided herein.

**16.2. Continuation.** If Franchisee continues to operate its CRESTCOM Business with Crestcom's express or implied consent following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement. This Agreement will then be terminable by either party on 30 days written notice. Otherwise, all provisions of this Agreement will apply while Franchisee continues to operate its CRESTCOM Business.

**16.3. Rights Upon Expiration.** At the end of the term hereof, provided Franchisee is not in default hereunder either at the time of notice of exercise of its successor franchise rights or at the time of the grant of successor franchise rights, Franchisee will have the option to obtain a successor franchise for two additional terms of seven years each, by acquiring successor franchise rights, unless Crestcom declines to offer a successor franchise in accordance with **Section 16.5** below, provided that Franchisee:

**a.** At least 30 days prior to expiration of the term of this Agreement, executes the form of Franchise Agreement then in use by Crestcom, which may have terms substantially different than those set forth in this Agreement.

**b.** Has maintained compliance with all provisions of this Agreement, including the payment on a timely basis of all fees and other payments due hereunder. "**Compliance**" means, at a minimum, that Franchisee has not received written notification from Crestcom of breach hereunder more than three times during the term hereof.

**c.** Maintains or modifies the CRESTCOM Business and its operations at Franchisee's sole expense (the necessity of which will be in the sole discretion of Crestcom) to conform with the then current Procedures Manual and Licensed Methods.

**d.** Executes a successor franchise rider in the form then in use by Crestcom.

**e.** Pays Crestcom a successor franchise fee in the amount of \$3,500.00 ("**Successor Franchise Fee**") upon each exercise of the successor franchise rights. The Successor Franchise Fee will be due and payable upon execution of Crestcom's then current Franchise Agreement and will be nonrefundable under all circumstances once paid. The Successor Franchise Fee is paid in lieu of an additional initial franchise fee.

**f.** Pays Crestcom all New Materials Surcharges that are required to obtain the then existing Materials available under the new Franchise Agreement, if Franchisee has not paid the New Materials Surcharges for such Materials under this Agreement. The New Materials Surcharges will be due and payable upon execution of Crestcom's then current Franchise Agreement and will be nonrefundable under all circumstances once paid.

**16.4. Exercise of Option for Successor Franchise.** Franchisee may exercise its option for a successor franchise by giving written notice of such exercise to Crestcom not less than 120 days prior to the scheduled expiration of this Agreement. Franchisee's successor franchise rights will become effective upon compliance with those requirements set forth in **Section 16.3** above. If Franchisee fails to give Crestcom timely notice in accordance with this **Section 16.4**, then this Agreement will, at Crestcom's

option, expire in accordance with its terms and Crestcom shall have no obligation to grant any additional or successor franchise rights pursuant to **Section 16.3** above.

**16.5. Conditions of Refusal.** Crestcom will not be obligated to offer Franchisee a successor franchise upon the expiration of this Agreement if Franchisee fails to comply with any of the above conditions of exercising a successor franchise. Upon the expiration of this Agreement, Franchisee will comply with the provisions of **Section 17.4** below.

## 17. TERMINATION AND DEFAULT

**17.1 Termination by Crestcom - Effective Upon Notice.** Crestcom will have the right, at its option, to terminate this Agreement and all rights granted Franchisee under this Agreement, without affording Franchisee any opportunity to cure any default, except as set forth in any applicable laws to the contrary which cannot be modified by agreement, effective upon written notice to Franchisee, upon the occurrence of any of the following events:

**a. Unauthorized Disclosure.** Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of Crestcom's Procedures Manual or any other trade secrets or confidential information of Crestcom.

**b. Abandonment.** Franchisee ceases to operate its CRESTCOM Business or otherwise abandons its CRESTCOM Business for a period of 30 consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue operation of its CRESTCOM Business, unless and only to the extent that full operation of its CRESTCOM Business or any substantial part thereof is suspended or terminated due to an Act of God beyond Franchisee's control and not related to the availability of funds to Franchisee.

**c. Insolvency; Assignment.** Franchisee or any of its guarantors becomes insolvent or is adjudicated a bankrupt; or any action is taken by Franchisee or any guarantor, or by others against Franchisee or any guarantor under any insolvency, bankruptcy or reorganization act (this provision may not be enforceable under U.S. federal bankruptcy law, 11 U.S.C. § 101 et seq.), or if Franchisee or any guarantor makes an assignment for the benefit of creditors, or a receiver is appointed for Franchisee or any guarantor.

**d. Unsatisfied Judgments; Levy; Foreclosure.** Any material judgment (or several judgments which in the aggregate are material) is obtained against Franchisee and remains unsatisfied or of record for 30 days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against Franchisee's CRESTCOM Business or any of the property used in the operation of the CRESTCOM Business and is not discharged within five days; or if the real or personal property of Franchisee's CRESTCOM Business is to be sold after levy thereupon by any sheriff, marshal or constable and is not discharged within five days.

**e. Criminal Conviction.** Franchisee or any of its Principal Representatives are convicted of a felony, or a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in the sole opinion of Crestcom, to materially and unfavorably reflect on the Licensed Methods, Marks, goodwill or reputation of Crestcom.

**f. Act of Deception.** Crestcom discovers that Franchisee has committed an Act of Deception, as defined in **Section 14.5**.

**g. Repeated Noncompliance.** Franchisee has received three notices of default from Crestcom during the term of this Agreement, regardless of whether the prior defaults were cured by Franchisee.

**h. Unauthorized Transfer.** Franchisee or its owner(s) make a Transfer without complying with the provisions of **Article 15** above.

**i. Unauthorized Conduct of Live Instruction.** Franchisee Markets or conducts, directly or indirectly, Live Instruction outside of its Assigned Area without the prior authorization of Crestcom.

**j. Unauthorized Solicitation of Authorized Representatives.** Franchisee hires or engages the services of, or attempts to hire or engage the services of, a current or former (if hired or engaged within 30 months of the previous employment) Authorized Representative of a then current Crestcom franchisee or distributor, or of Crestcom, including without limitation, employees, independent agents, Facilitators, Salespersons or telemarketers who are or have been Authorized Representatives of such then current franchisee, distributor or Crestcom.

**k. Unauthorized Sales Outside of Assigned Area.** Franchisee or any of its Authorized Representatives sell, lend, trade or otherwise distribute Materials outside of the Assigned Area without Crestcom's prior written consent, which consent may be withheld for any reason.

**l. Unauthorized Purchase, Resale or Transfer of Materials.** Franchisee purchases any Materials from, or sells, lends, reships, transships or otherwise distributes Materials purchased or otherwise acquired from or through Crestcom to, any other current or former CRESTCOM franchisee, distributor or other reseller of the Materials, either within or outside of the Assigned Area, without the prior written consent of Crestcom.

**m. Unauthorized Duplication or Modification of Materials.** Franchisee duplicates, except as is permitted by the Procedures Manual, or alters, decompiles, disassembles or otherwise reverse engineers the Materials.

**n. Violation of Covenant Not to Compete or Other Restrictive Covenant.** Franchisee, or any officer, director, shareholder, partner, or member of Franchisee (as applicable), or any member of his, her or their immediate families, violates the covenant not to compete or any other restrictive covenant contained in **Article 19** below.

**o. Failure to Complete Training.** Franchisee fails to successfully complete Crestcom's initial training program or any mandatory Additional Meetings.

**p. Inadequate Guaranties.** Any guaranty of this Agreement fails to be a continuing obligation fully enforceable against the guarantor signing the guaranty, or there is any inadequacy of the guaranty or guarantor and the guarantor is unable to provide adequate assurances as required by Crestcom.

**q. Patriot Act.** Franchisee, or any officer, director, member, manager, or partner of Franchisee (as applicable) violates or becomes subject to United States Executive Order 13224 or The Uniting and Strengthening America by Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "**Patriot Act**").

r. **Breach of Related Agreement.** Franchisee defaults under any term of any agreement with a Client or any other agreement material to its CRESTCOM Business or any other agreement between Crestcom or any of its affiliates, Area Developers, distributors, or other franchisees and Franchisee, and such default is not cured within the time specified in such other agreement; provided, however, so long as any financing from the United States Small Business Administration remains outstanding that is secured by the assets of its CRESTCOM Business, Franchisee will be given the same opportunity to cure defaults under any agreement between Crestcom or its affiliates and Franchisee, as Franchisee is given under this Agreement.

**17.2. Termination by Crestcom - Ten Days Notice.** Crestcom will have the right to terminate this Agreement, effective upon 10 days written notice to Franchisee, except as set forth in any mandatory applicable laws, if Franchisee breaches any other provision of this Agreement and fails to cure the default during such 10-day period; provided if the breach is curable, but is of a nature which cannot be reasonably cured within such 10-day period and Franchisee has commenced and is continuing to make good faith efforts to cure the breach during such 10-day period, Franchisee will be given an additional reasonable period of time not to exceed 90 days to cure the same, and this Agreement will not terminate. Unless cured, this Agreement will, at Crestcom's option, terminate without further notice to Franchisee, effective upon expiration of the 10-day period, or such longer period. The foregoing provisions regarding an additional period of time to cure a default shall not apply to any monetary defaults. Defaults will include, but not be limited to, the following:

a. **Failure to Maintain Standards.** Franchisee fails to maintain the then-current operating procedures and standards established by Crestcom as set forth in this Agreement or in the Procedures Manual or otherwise communicated to Franchisee.

b. **Failure to Pay When Due or File Reports.** Franchisee fails to pay any amounts due to Crestcom or file any reports when the same are due and payable under this Agreement.

c. **Misuse of Marks.** Franchisee misuses or fails to follow Crestcom's directions and guidelines concerning use of Crestcom's Marks.

d. **Failure to Maintain Insurance.** Franchisee fails to procure, maintain or provide evidence to Crestcom of insurance in a form and amount required by the Procedures Manual.

e. **Deceptive Practices.** Franchisee engages in any unauthorized business or practice or sells any unauthorized product or service under Crestcom's Marks or under a name or mark which is confusingly similar to Crestcom's Marks.

f. **Failure to Obtain Consent.** Franchisee fails, refuses or neglects to obtain Crestcom's prior written approval or consent as required by this Agreement, other than the failure to obtain a consent under **Section 17.1** above.

g. **Failure to Comply with Manual.** Franchisee fails or refuses to comply with the then current requirements of the Procedures Manual, other than the failure to comply with **Section 17.1** above.

h. **Improper Conduct.** Except as is provided in **Section 17.1** above, Franchisee conducts its CRESTCOM Business in a manner which is harmful to Crestcom's image and system.

**17.3. Termination by Franchisee.** Franchisee shall have the following rights of termination:

**a.** Provided Franchisee is not in default hereunder at the time of notice of termination or on the effective date of termination, Franchisee may terminate this Agreement at any time after the first anniversary of this Agreement, by providing Crestcom with written notice of termination not less than one year prior to the effective date of termination and complying with the post termination obligations set forth in **Section 17.4** hereof.

**b.** Franchisee shall have the right to terminate this Agreement due to a material breach of this Agreement by Crestcom, provided Franchisee provides Crestcom with written notice of the breach within 30 days of the breach and a reasonable opportunity to cure such breach, which shall in no event be less than 90 days. Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within a 90-day or other given period and Crestcom has commenced and is continuing to make good faith efforts to cure the breach during the given period, Crestcom will be given an additional reasonable period of time to cure the breach.

**17.4. Obligations of Franchisee Upon Termination or Expiration.** Franchisee is obligated upon termination or expiration of this Agreement to immediately do all of the following:

**a.** Pay to Crestcom all fees and any and all amounts or accounts payable then owed to Crestcom or its affiliates pursuant to this Agreement, or pursuant to any other agreement, whether written or oral, between the parties. In the event of a termination due to a default by Franchisee, the amounts due to Crestcom shall include an amount equal to the Distribution Fees and Royalty Fees that would have been payable based on the Minimum Monthly Requirement for each month from the date of termination until the earlier of (i) 30 months following the date of termination, or (ii) the expiration date that would apply to this Agreement had it not been terminated.

**b.** Cease to identify itself as a Crestcom franchisee or publicly identify itself as a former Crestcom franchisee, except as provided in **Section 17.4.i** below.

**c.** Cease to identify itself or its former CRESTCOM Business as being, or having been, associated with Crestcom.

**d.** Cease using any of the Licensed Methods and Marks, trade names, trade secrets, Materials and Live Instruction or any items identified with the CRESTCOM Business, except as provided in **Section 17.4.i** below.

**e.** Cease the Marketing of all Materials and the use or display of all advertising (including websites, social media sites, or other sites on the Internet), training or operations audio, video, or online media, forms or other items bearing any of the Marks or otherwise identified with Crestcom and obtained by and in connection with this Agreement.

**f.** Deliver to Crestcom at Franchisee's expense, by prepaid insured air freight or other means of delivery acceptable to Crestcom, the Materials, or any part thereof, and all related materials provided by Crestcom, the Procedures Manual, the International Account List and all other materials, documents or written information that contain any of the Marks or that Crestcom considers proprietary, together with all copies thereof, along with Franchisee's written certification that all copies thereof have either been returned or destroyed. Any such items held in electronic format shall be deleted. If Crestcom is required by applicable law to repurchase any Materials from Franchisee, then the purchase price payable by Crestcom to Franchisee for such Materials shall be equal to the wholesale price of such Materials discounted by 3 percent for each month that such Materials are in Franchisee's possession or control. If all of these items are not returned to Crestcom within two weeks of the date of termination or

expiration of this Agreement, Franchisee will be obligated to pay to Crestcom a weekly late return fee of \$250.00 for each week that Franchisee does not return all of these items to Crestcom.

**g.** Take such action as is required to cancel all fictitious or assumed names or equivalent registrations relating to its use of any Marks, or, at the option of Crestcom, assign the Marks, without remuneration, to Crestcom.

**h.** Notify the telephone company, all telephone directory publishers, domain name registration companies, and social media website operators, of the termination or expiration of Franchisee's right to use any telephone number, domain name, social media websites or accounts, and any regular, classified or other telephone directory listings associated with any Mark and complete all forms, and provide other necessary notification to authorize the transfer of all such telephone and fax numbers, domain name registrations, social media websites or accounts, and directory listings to Crestcom or its designee. Franchisee acknowledges that, as between Franchisee and Crestcom, Crestcom has the sole rights to and interest in all telephone, teletype or facsimile machine numbers and directory listings, all domain names, and social media websites or accounts associated with any Mark.

**i.** If required by Crestcom, conduct any Live Instruction that is already scheduled but which is to be conducted after the effective date of termination or expiration, including any Live Instruction scheduled pursuant to the MAS Program, but only at the written directive of Crestcom. Franchisee, on or prior to the effective date of termination or expiration, will provide to Crestcom information regarding any scheduled Live Instruction and Crestcom will notify Franchisee within five days thereafter as to the scope of Franchisee's responsibility for completing the scheduled Live Instruction.

**j.** If required by Crestcom, notify any Clients who owe payments to Franchisee and instruct them to make those payments directly to Crestcom, in accordance with **Section 11.6.c**.

**k.** Execute a termination agreement in a form required by Crestcom.

**l.** Abide by all restrictive covenants set forth in **Article 19** of this Agreement.

**17.5. Terminology.** For purposes of this Agreement, wherever the term "expiration" or "termination" is used, it is intended to refer to both situations, unless the context indicates otherwise. Any terms herein that apply upon expiration or termination shall also apply to a transferor upon a Transfer.

**17.6. Conflicting Laws.** THE PARTIES ACKNOWLEDGE THAT IF THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE LAW, SUCH LAW WILL GOVERN FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

## **18. BUSINESS RELATIONSHIP**

**18.1. Business Relationship.** The parties agree that each of them is an independent businessperson or entity, their only relationship is by virtue of this Agreement and that no fiduciary relationship is created hereunder. Neither party is liable or responsible for the other's debts or obligations, nor will either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to

this Agreement. Crestcom and Franchisee agree that neither of them will hold itself out to be the agent, employer or partner of the other and that neither of them has the authority to bind or incur liability on behalf of the other. Notwithstanding any other provisions in this Agreement, Crestcom shall not be responsible for supervising the activities of Franchisee's CRESTCOM Business.

**18.2. Third Party Obligations.** Crestcom will have no liability for Franchisee's obligations to pay or otherwise fulfill Franchisee's obligations to any third parties, including without limitation, obligations to provide Live Instruction, payments owed to any product vendors, or liability for any sales, use, service, occupation, excise, gross receipts, income, property or other tax levied upon Franchisee, Franchisee's property, Franchisee's CRESTCOM Business or upon Crestcom in connection with the sales made or business conducted by Franchisee, except any taxes Crestcom is required by law to collect from Franchisee with respect to purchases from Crestcom.

**18.3. Indemnification.** Franchisee agrees to indemnify, release, defend and hold harmless Crestcom, its subsidiaries and affiliates, and their respective shareholders, directors, officers, employees, agents, successors and assignees, (the "**Indemnified Parties**") against, and to reimburse them for all Claims, defined below, based on (a) any and all third party obligations described in **Section 18.2**, and (b) any and all claims, obligations and liabilities directly or indirectly arising out of (i) the operation of the CRESTCOM Business, or (ii) the use of the Marks and Licensed Methods in any manner not in accordance with this Agreement. For purposes of this indemnification, "**Claims**" include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Crestcom will have the right to defend any such Claim against it. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

## 19. RESTRICTIVE COVENANTS

**19.1. Non-Competition During Term.** Franchisee acknowledges that, in addition to the license of the Marks hereunder, Crestcom has also licensed commercially valuable information which comprises and is a part of the Licensed Methods, including without limitation, operations, Marketing, advertising and related information and materials and that the value of this information is derived not only from the time, effort and money which went into its compilation, but from the usage of the same by all the franchisees, distributors, and Area Developers of Crestcom using the Marks and Licensed Methods. Franchisee therefore agrees that other than its CRESTCOM Business licensed herein, neither Franchisee nor any of Franchisee's officers, directors, shareholders, partners, or members, nor any member of his, her or their immediate families, nor any Authorized Representative, will during the term of this Agreement and any extensions hereto:

**a.** have any direct or indirect controlling interest as a disclosed or beneficial owner in a "Competitive Business," as defined below; or

**b.** perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business.

The term "**Competitive Business**" as used in this Agreement means any business operating, or granting franchises, licenses or distributorships to others to operate, a business that offers sales, motivational, office professional or personnel profiling or evaluation, personnel development, recruiting, customer service, or management training or consulting, or other business or personnel development advice, aptitude, personnel assessment services or materials or training to individuals, companies or other

organizations; or that sells or provides training or instruction, books, manuals, written materials, audio media, video media, online media, or similar materials of any kind transmitted by any form of electronic medium providing instruction and advice in sales, motivational, office professional or personnel development, recruiting, customer service, management training, personnel profiling or evaluation, or other business or personnel development advice or training. However, Franchisee will not be prohibited from owning securities, on a passive basis, in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 2 percent or less of that class of securities issued and outstanding.

**19.2. Post-Termination Covenant Not to Compete.** Upon termination or expiration of this Agreement for any reason, Franchisee and its officers, directors, shareholders, partners and/or members agree that, for a period of 30 months commencing on the effective date of termination or expiration, or the date on which Franchisee ceases to conduct business, whichever is later, neither Franchisee nor its officers, directors, shareholders, partners, members, or any Authorized Representative will have any direct or indirect interest, whether through a member of any immediate family or otherwise, as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity in any Competitive Business, defined above, located or operating within the Assigned Area or within the Assigned Area of any other franchised, licensed or company-owned CRESTCOM Business. The restrictions of this Section will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 2 percent or less of the number of shares of that class of securities issued and outstanding. Franchisee and its officers, directors, shareholders, partners and/or members expressly acknowledge that they possess business and career skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive them of their personal goodwill or ability to earn a living. If Franchisee, or any of its officers, directors, shareholders, members, partners or Authorized Representatives, breaches this Section, the 30-month period shall start on the date that such person is enjoined from competing or stops competing, whichever is later.

**19.3. No Diversion of Businesses or Employees.** Franchisee and its officers, directors, shareholders and/or partners agree that, during the term of this Agreement and for a period of 30 months commencing on the effective date of termination or expiration, or the date on which Franchisee ceases to conduct business, whichever is later, neither Franchisee nor its officers, directors, shareholders and/or partners, or any Authorized Representatives will directly or indirectly, through a member of any immediate family or otherwise, divert or attempt to divert any business related to Crestcom's business or any other Crestcom franchisee's, distributor's, or Area Developer's business, or any customer or account of any CRESTCOM Business or Crestcom Area Developer's business, or divert or attempt to divert the employment of any employee or other Authorized Representative of Crestcom or another franchisee, distributor, or Area Developer licensed by Crestcom to use the Marks and Licensed Methods, to any CRESTCOM Business operated by Franchisee or to any Competitive Business by any direct inducement or otherwise.

**19.4. Prohibition Against Redistribution.** Franchisee will not in any manner reship, transship, lend, distribute or sell any of the Materials purchased or otherwise acquired from or through Crestcom to another current or former Crestcom franchisee, distributor or any other reseller of the Materials, either within or outside of the United States. Franchisee will sell the Materials purchased through Crestcom only from or through its CRESTCOM Business and only to Clients who are the actual end users of the Materials. In addition, Franchisee will not purchase nor accept Materials from any other current or former Crestcom franchisee or distributor, without the prior written consent of Crestcom.



**19.5. Prohibition Against Relationships With Talent.** During the term of this Agreement, and for a period of 30 months after the termination or expiration of this Agreement, Franchisee agrees not to contact any of the talent or video faculty members who appear in the Materials for the purpose of directly or indirectly engaging or utilizing such talent in Franchisee's CRESTCOM Business or in any Competitive Business, to enter into any business dealings or arrangements with such persons, or to broker any business dealings or arrangements involving the services of such individuals. The term "**talent**" shall mean the video faculty members who have contracted with Crestcom, either as of the date of this Agreement or at any time during the term of this Agreement and any successor franchise terms, to present their areas of expertise in the Materials for use by Crestcom and its franchisees, distributors, and Area Developers.

**19.6. Post-Termination Prohibition Against Relationships With Franchisees.** For a period of 30 months after the termination or expiration of this Agreement, Franchisee agrees not to hire, attempt to hire or otherwise enter into any business dealings or arrangements with any current or former Crestcom franchisees, distributors, or Area Developers for the purpose of using such current or former franchisee's, distributor's, or Area Developer's services or materials in any Competitive Business.

**19.7. Non-Interference.** During the term of this Agreement and for a period of 30 months thereafter, neither Franchisee nor its officers, directors, partners, members, managers, employees, agents, or representatives shall interfere with the business of Crestcom by interfering with or disrupting, or attempting to interfere with or disrupt, the relationship, contractual or otherwise, between Crestcom and any of its existing or prospective franchisees, distributors, Area Developers, customers, talent, suppliers, partners or joint venturers. If Franchisee breaches the terms of this Section, Franchisee agrees to pay Crestcom, as liquidated damages, and not as a penalty, an amount equal to the then current initial franchise fee due for the type of franchise originally sold by Crestcom to Franchisee per occurrence.

**19.8. Confidentiality of Proprietary Information.** Franchisee will treat as proprietary and confidential all information it receives that is a part of the Licensed Methods licensed hereunder, including but not limited to the sales process and methodology and the Materials used in its CRESTCOM Business. Franchisee will not use or duplicate such information in any unauthorized manner nor disclose the information to any unauthorized person, including in any business that may be competitive with Crestcom, without first obtaining Crestcom's written consent. Franchisee acknowledges that the Marks and the Licensed Methods have valuable goodwill attached to them, that the protection and maintenance thereof is essential to Crestcom and that any unauthorized use or disclosure of the Marks and Licensed Methods will result in irreparable harm to Crestcom.

**19.9. Confidentiality Agreements and Training Agreements.** Crestcom reserves the right to require that Franchisee cause each of its officers, directors, shareholders, partners or members, and any member of his, her or their immediate families, and any Authorized Representatives, to execute a nondisclosure and noncompetition agreement in a form approved by Crestcom containing the restrictive covenants of this Article. If Crestcom requires any immediate family member to execute a nondisclosure and noncompetition agreement subsequent to the execution of this Agreement by Franchisee, Franchisee must use its best efforts to cause that immediate family member to execute the nondisclosure and noncompetition agreement. Franchisee must provide Crestcom a copy of each nondisclosure and noncompetition agreement at the time it is signed and thereafter upon Crestcom's request. In addition, all Clients of Franchisee and/or its Authorized Representatives, or any others acquiring the use of the Materials by or through Franchisee and/or its Authorized Representatives, will be required to execute a contract substantially in the form set forth in the Procedures Manual (the "**Training Agreement**"). Any changes to the Training Agreement shall require Crestcom's prior written consent. In no event shall Franchisee permit any third party, including any Client of Franchisee, to attend any Live Instruction or

other training sessions, or acquire, observe, or use any of the Materials, without first having obtained a signed Training Agreement or other document approved by Crestcom from that third party. If requested by Crestcom, Franchisee will cooperate with Crestcom in enforcing the obligations under any Training Agreement or other approved document signed by a Client of Franchisee or another party who has acquired access to the Materials through Franchisee, including but not limited to the obligation to provide information requested by Crestcom. Notwithstanding Franchisee's efforts, in the event any signature required by Crestcom pursuant to this Section is not obtained within a reasonable time, Crestcom may, in its sole option, terminate this Agreement in accordance with **Section 17.2** of this Agreement.

**19.10. Invalidity of Covenants.** Franchisee acknowledges that if all or any portion of the aforesaid restrictive covenants contained in this Article are held unreasonable or unenforceable by a court or agency having jurisdiction in an unappealed final decision to which Franchisee is a party, Franchisee will be bound by any lesser covenants contained within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were subsequently stated and made a part of this Agreement.

**19.11. Claims Are Not Defenses to Covenants.** Franchisee expressly agrees that the existence of any claim it may have against Crestcom, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Crestcom of the covenants of this **Article 19**. Franchisee further agrees that Crestcom shall be entitled to set off from any amount owed by Crestcom to Franchisee any loss or damage to Crestcom resulting from Franchisee's breach of this **Article 19**.

## 20. INSURANCE

**20.1. Insurance Coverage.** Franchisee shall procure, maintain and provide evidence of insurance for Franchisee's CRESTCOM Business in the amount and types as set forth in the Procedures Manual. Franchisee shall provide proof of insurance for all insurance to be carried hereunder and otherwise comply with all terms and conditions related to insurance as set forth in the Procedures Manual.

## 21. ARBITRATION

**21.1. Arbitration.** All controversies, disputes claims, causes of action and/or alleged breaches or failures to perform between Crestcom, its subsidiaries and affiliated companies or their shareholders, officers, directors, agents, employees and attorneys, in their representative capacity, and Franchisee, and its employees, officers, directors, owners, guarantors or Authorized Representatives, if applicable, arising out of or related to: (1) this Agreement; (2) the relationship of the parties; (3) the validity of this Agreement; or (4) any Licensed Methods will be submitted for arbitration on demand of either party to the Denver, Colorado U.S.A. office of either the Judicial Arbitrator Group ("**JAG**") or the American Arbitration Association ("**AAA**"), as selected by the party submitting the demand; except for actions brought which are related to or based on the Marks or the copyrights in the Materials or to enforce the provisions of **Article 19** of this Agreement, which actions Crestcom, at its option, may bring either in a court of competent jurisdiction or in arbitration. Notwithstanding the language above, if the action is based on a separate agreement or instrument between Franchisee or any party affiliated with Franchisee and Crestcom or any party affiliated with Crestcom, such as a promissory note or lease, the dispute resolution procedure in that agreement or instrument will control rather than this **Section 21.1**; provided, that, at Crestcom's sole option, any claim of Crestcom or its affiliate against Franchisee or its affiliate based on such other agreement or instrument may be brought in arbitration in conjunction with a dispute between the parties that is subject to arbitration under this Section, regardless of any provisions to the contrary contained in that other agreement or instrument. Arbitration proceedings will be conducted in Denver, Colorado, U.S.A. and will be heard by one arbitrator in accordance with the then current rules of

AAA that apply to commercial arbitration. All jurisdictional issues will be decided by the arbitrator. The arbitrator shall be a resident of the State of Colorado U.S.A. knowledgeable of Colorado law and fluent in English. The arbitration proceeding and all other hearings shall be conducted in English only, although Franchisee shall have the right, at Franchisee's option and sole expense, to have a translator present at the proceeding or other hearings. The expense of a translator shall not be considered a cost or expense related to an action pursuant to **Section 22.9** of this Agreement. Any party to an arbitration proceeding may apply to the arbitrator for reasonable discovery from the other. In this Agreement "reasonable discovery" means a party may submit no more than 10 interrogatories, including subparts, 25 requests for admission, 25 document requests, and three depositions per side of the dispute. The foregoing discovery rights and limitations shall control over any contradictory discovery rules of AAA, unless the parties agree otherwise.

**21.2. Arbitration Award.** Subject to **Sections 21.6** and **21.7** below, the arbitrator will have the right to award or include in the award any relief which he deems proper in the circumstances, including, without limitation, money damages, with interest on unpaid amounts from the date due, specific performance, and attorneys' fees and costs in accordance with **Section 22.9** of this Agreement. Any award shall be based on established law as opposed to broad principles of justice and equity. The award and decision of the arbitrator will be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such award. The parties agree to be bound by the provisions of any applicable limitation on the period of time by which claims must be brought under applicable law or this Agreement, whichever is less. The parties further agree that, in connection with any such arbitration proceeding, each will file any compulsory counterclaim, as defined by Rule 13 of the U.S. Federal Rules of Civil Procedure, within 30 days after the date of the filing of the claim to which it relates. This Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

**21.3. Limitations on Proceedings.**

**a.** Crestcom and Franchisee agree that arbitration will be conducted on an individual basis only. Neither party shall commence any arbitration with a third party against the other, or join with any third party in any arbitration involving Crestcom and Franchisee. Further, neither Crestcom nor Franchisee shall attempt to consolidate or otherwise combine in any manner an arbitration proceeding involving Crestcom and Franchisee with another arbitration of any kind, nor shall Crestcom or Franchisee attempt to certify a class or participate as a party in a class action against the other.

**b.** The foregoing notwithstanding, in the event Franchisee controls, is controlled by or is in active concert with another franchisee, distributor, or Area Developer of Crestcom, or there is a guarantor of some or all of the Franchisee's obligations to Crestcom, then the joinder of those parties to any arbitration between Crestcom and Franchisee shall be permitted, and in all events, the joinder of an owner, director, officer, manager, partner or other representative or agent of Crestcom or Franchisee shall be permitted.

**21.4. Injunctive Relief.** Notwithstanding anything to the contrary contained in this Article, Crestcom and Franchisee will each have the right in a proper case to obtain temporary or preliminary injunctive relief from a court of competent jurisdiction. Each party agrees that the other party may have such temporary or preliminary injunctive relief, without bond, but upon due notice, and with the sole remedy in the event of the entry of such injunctive relief being the dissolution of such injunctive relief, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of such

injunction being expressly waived by each party). Any such action will be brought as provided in **Section 21.5** below.

**21.5. Governing Law/Consent to Jurisdiction/Waiver of Jury Trial.** The United States Federal Arbitration Act shall govern all questions about the enforceability and scope of **Sections 21.1** and **21.2**, and no arbitration issues are to be resolved pursuant to any other statutes, regulations or common law. Otherwise, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or applicable international trademark law, this Agreement shall be interpreted under the laws of the State of Colorado U.S.A. and any dispute between the parties shall be governed by and determined in accordance with the internal substantive laws, and not the laws of conflict, of the State of Colorado U.S.A., which laws shall prevail in the event of any conflict of law. Notwithstanding the foregoing, the parties agree that the Colorado Consumer Protection Act (COLO. REV. STAT. ANN. Sections 6-1-101, et seq.) shall not apply to this Agreement or any disputes between the parties. Franchisee and Crestcom have negotiated regarding a forum in which to resolve any disputes that arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding not subject to mandatory arbitration, as specified in **Section 21.1**, involving Franchisee, its employees, officers or directors (collectively, “**Franchisee Affiliates**”) and Crestcom, its employees, officers or directors (collectively, “**Crestcom Affiliates**”), both parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado U.S.A., and each waive any objection either may have to the personal jurisdiction of or venue in the state and federal courts of Colorado U.S.A. Notwithstanding the foregoing, the decision as to whether a claim is subject to mandatory arbitration shall be made by an arbitrator, not a court. **IF A CLAIM MAY BE BROUGHT IN COURT, THEN CRESTCOM, THE CRESTCOM AFFILIATES, FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

**21.6. No Punitive or Consequential Damages.** Except as specifically permitted elsewhere in this Agreement or as may be required by statute, neither Crestcom or any of the Crestcom Affiliates, on the one side, nor Franchisee or any of the Franchisee Affiliates, on the other side, shall be liable to the other for punitive or other damages not measured by the other party’s actual damages in any action between the parties.

**21.7. No Recourse Against Others.** Franchisee agrees that its sole recourse for claims (whether in contract or in tort, in law or in equity, or granted by statute) arising between the parties shall be against Crestcom or its successors and assigns. Franchisee agrees that the shareholders, directors, officers, employees, managers, members and agents of Crestcom and its affiliates (the “**Nonparty Affiliates**”) shall not be personally liable nor named as a party in any action between Crestcom and Franchisee. To the maximum extent permitted by law, Franchisee waives any such claims against such Nonparty Affiliates.

## 22. MISCELLANEOUS PROVISIONS

**22.1. Nonrefundability.** Except as expressly stated otherwise herein, all fees and other amounts paid by Franchisee to Crestcom under this Agreement are nonrefundable once they are paid.

**22.2. Modification.** This Agreement may only be modified upon execution of a written agreement between Crestcom and Franchisee. Unless prohibited by law or waived by Crestcom, Franchisee must provide a general release of any and all claims against Crestcom if Franchisee requests and Crestcom consents to modify any provisions of this Agreement after it has been signed. Franchisee acknowledges that Crestcom may modify its standards and specifications and operating and Marketing

techniques set forth in the Procedures Manual and the Materials and Live Instruction sold through the CRESTCOM Business unilaterally under any conditions and to the extent in which Crestcom, in its sole discretion, deems necessary to protect, promote, or improve the Marks and the quality of the Materials or other of the Licensed Methods. Franchisee shall be bound by, and incorporate into its CRESTCOM Business, these modifications. Crestcom has the right to vary the franchise agreement and any standards, specifications, and techniques for a particular Crestcom franchisee based on the circumstances related to the franchisee, its Assigned Area, or any other condition. Franchisee shall not be entitled to require Crestcom to grant Franchisee a similar variation.

**22.3. Entire Agreement.** This Agreement, which includes the attachments and exhibits to this Agreement, contains the entire agreement and understanding between the parties and supersedes any and all prior agreements concerning the subject matter hereof. Crestcom does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement. Franchisee acknowledges and agrees that no representations have been made to it by Crestcom or its representatives regarding projected sales volumes, market potential, revenues, or profits of Franchisee's CRESTCOM Business, or operational assistance other than as stated in this Agreement or in any applicable franchise disclosure document or advertising or promotional materials provided by Crestcom. Additionally, Franchisee hereby acknowledges and agrees that, in entering into this Agreement, it is not relying on the existence or non-existence of any particular fact or matter not set forth in this Agreement or in the franchise disclosure document provided to Franchisee. Franchisee agrees and understands that Crestcom will not be liable or obligated for any oral representations or commitments made prior to the execution hereof, for claims of negligent or fraudulent misrepresentation based on any such oral representations or commitments, or for claims of negligent or fraudulent omissions or nondisclosure of facts or information. Nothing in this Agreement or in any related agreement is intended to disclaim any representations made by Crestcom in the franchise disclosure document provided to Franchisee.

**22.4. Delegation by Crestcom.** From time to time, Crestcom will have the right to delegate the performance of any portion or all of its obligations and duties under this Agreement to third parties, whether they are agents of Crestcom or independent contractors with whom Crestcom has contracted to provide such services. Franchisee agrees in advance to any such delegation by Crestcom of any portion or all of its obligations and duties hereunder.

**22.5. Consent; Business Judgment.** Wherever Crestcom's consent or approval is required in this Agreement, unless the provision specifically indicates otherwise, Crestcom has the right to withhold its approval at its option, in its business judgment, taking into consideration its assessment of the long-term interests of the Crestcom system overall. Crestcom may withhold any and all consents or approvals required by this Agreement if Franchisee is in default or breach of this Agreement, and all approvals and consents must be in writing and signed by one of Crestcom's duly authorized representatives. In no event may Franchisee make any claim for money damages based on any claim that Crestcom has unreasonably withheld or delayed any consent or approval to a proposed act by Franchisee under the terms of this Agreement. Franchisee's sole remedy for the claim will be an action or proceeding to enforce the provisions of this Agreement by specific performance or by declaratory judgment.

**22.6. Effective Date.** This Agreement will not be effective until accepted by Crestcom as evidenced by dating and signing by an authorized officer of Crestcom.

**22.7. Limitation on Actions.** Notwithstanding anything contained in this Agreement to the contrary, any and all claims and actions by Franchisee arising out of or relating to this Agreement, the relationship between Franchisee and Crestcom, or Franchisee's operation of its CRESTCOM Business must be commenced within one year from the occurrence of the facts giving rise to such claim or action.

**22.8. Review of Agreement.** Franchisee acknowledges that it had a copy of this Agreement in its possession for a period of time not less than that required by applicable law and has been given sufficient time to seek, and to submit this Agreement for, professional review and advice of Franchisee's choosing prior to freely executing this Agreement.

**22.9. Attorneys' Fees.** The prevailing party in any action arising out of, or related to this Agreement (including an action to compel arbitration) is entitled to recover from the other party all costs and expenses related to the action, including reasonable attorneys' fees, and all costs of collecting monies owed. If both parties are awarded a judgment in any dollar amount, the court or arbitrator, as applicable, shall determine the prevailing party taking into consideration the merits of the claims asserted by each party, the amount of the judgment received by each party and the relative equities between the parties.

**22.10. Incorporation of Riders.** To the extent that any of the Riders to Franchise Agreement for Specific States or Countries attached as Exhibit VI is applicable, such rider is incorporated herein and this Agreement is modified accordingly. The provisions in any applicable rider are included as a condition to registration or use in certain jurisdictions, and Crestcom is not precluded from contesting the validity, enforceability, or applicability of such provisions in any action relating to this Agreement or its rescission or termination.

**22.11. No Waiver.** No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by Crestcom or Franchisee will be considered to imply or constitute a further waiver by Crestcom or Franchisee of the same or any other condition, covenant, right, or remedy.

**22.12. Rights to Set Off.** Franchisee will not be allowed to set off amounts owed to Crestcom for any fees or other amounts due hereunder, against any monies owed to Franchisee, which right of set off is expressly waived by Franchisee. Crestcom has the right, in its sole discretion, to apply any amounts owed by Crestcom to Franchisee against any amounts that are currently due from Franchisee to Crestcom.

**22.13. Survival of Terms.** Every article and section of this Agreement that by its terms is intended to survive expiration and/or termination of this Agreement shall survive the expiration or termination of this Agreement for any reason.

**22.14. Invalidity.** If any provision of this Agreement is held invalid by any tribunal in a final decision from which no appeal is or can be taken, that provision will be deemed modified to eliminate the invalid element and, as so modified, that provision will be deemed a part of this Agreement as though originally included. The remaining provisions of this Agreement will not be affected by such modification.

**22.15. Notices.** All notices required to be given under this Agreement will be given in writing, by personal delivery, certified mail, return receipt requested, e-mail or an overnight delivery service providing documentation of receipt, at the address set forth in the first paragraph of this Agreement in the case of Crestcom, at the Franchise Location set forth in the Addendum in the case of Franchisee, at the e-mail address set forth on the signature page of this Agreement, or at such other addresses as Crestcom or Franchisee may designate from time to time. Notice will be effectively given when personally delivered or delivered by e-mail to the proper e-mail address. If the Assigned Area is in the United States, notice will be effectively given three days after being deposited in the United States mail, with proper address and postage prepaid, or one day after being deposited with the overnight delivery service, as may be applicable. If the Assigned Area is outside of the United States, notice will be effectively given seven

days after being deposited in the United States mail, with proper address and postage prepaid, or three days after being deposited with the overnight delivery service, as may be applicable.

**22.16. Force Majeure.** Crestcom will not be liable to Franchisee, nor will Crestcom be deemed to be in breach of this Agreement, if it exercises best efforts to perform its obligations to supply Materials and perform other obligations as may be due to Franchisee hereunder and its failure to supply Materials or perform its obligations results from: (i) transportation shortages, inadequate supply of labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any government or any governmental department or agency; (ii) compliance with any law, ruling, order, regulation, requirement or instruction of any government or any governmental department or agency; (iii) acts of God; or (iv) fires, strikes, terrorism, embargoes, war or riot. Any delay resulting from any of these causes will extend performance by Crestcom accordingly or excuse performance by Crestcom in whole or in part, as may be necessary.

**22.17. Taxes.** All taxes or withholdings imposed on products or services, on any payments due Crestcom by Franchisee, or any other taxes or withholdings imposed by governmental or quasi-governmental entities and assessed against Franchisee's CRESTCOM Business shall be borne exclusively by Franchisee, and payments of any fees or other consideration which is payable by Franchisee to Crestcom hereunder shall not, in any way, be reduced or affected by any such taxes or withholdings.

**22.18. Estoppel Certificates.** Franchisee agrees at any time and from time to time within 10 days after notice from Crestcom, to execute, acknowledge and deliver to Crestcom a statement in writing, form and substance acceptable to Crestcom, verifying that this Agreement is unmodified and in full force and effect (or if there have been modifications, that the Agreement is in full force and effect as modified and stating the modifications), and whether or not there exists any default in the performance of any term, condition or covenant of this Agreement and, if so, specifying each such default, it being intended that any such statement delivered pursuant hereto may be relied upon by Crestcom and by any lenders of Crestcom, or any prospective investors in or purchasers of all or any part of Crestcom's business.

**22.19. Cross-Default and Cross Termination Provisions.**

**a.** A default by Franchisee under this Agreement will be deemed a default of all agreements between Franchisee and/or any company(ies) affiliated with Franchisee, on the one hand, and Crestcom and/or any company(ies) affiliated with Crestcom, on the other hand (the "**Other Agreements**"). A default by Franchisee and/or any company(ies) affiliated with Franchisee under any of the Other Agreements will be deemed a default under this Agreement. A default by any guarantor(s) of this Agreement or of any of the Other Agreements will be deemed a default of this Agreement.

**b.** If this Agreement is terminated as a result of a default by Franchisee, Crestcom may, at its option, elect to terminate any or all of the Other Agreements. If any of the Other Agreements is terminated as a result of a default by Franchisee and/or any company(ies) affiliated with Franchisee, Crestcom may, at its option, elect to terminate this Agreement. It is agreed that an incurable or uncured default under this Agreement or any of the Other Agreements will be grounds for termination of this Agreement and/or any and all of the Other Agreements without additional notice or opportunity to cure.

**22.20. Charges and Taxes.** All provisions in this Agreement stating that Franchisee will pay or be responsible for any costs, charges or taxes includes all customs or duty charges, foreign currency purchase levies, import and export fees and levies, and other similar costs, charges and taxes.

**22.21. Translations.** If Franchisee is required to translate the Materials to use them in the Assigned Area, it will do so in accordance with the terms of Crestcom's then current form of translation agreement. Crestcom shall have the right to copyright the translated or adapted materials in any other country or territory, and shall own the United States and all foreign copyrights of all translations, adaptations and/or derivative versions of the Materials and shall have the right to market the Materials, including the translated or adapted versions of the Materials in any manner Crestcom might choose in all countries of the world.

**22.22. Approval Within Assigned Area.** Any approval of this Agreement by the appropriate authorities in the Assigned Area that is required to enable Franchisee to enter into this Agreement, perform under the terms of this Agreement, do business with Crestcom, or to make payments to Crestcom in United States Dollars in the United States of America will be the sole responsibility and at the sole expense of Franchisee.

**22.23. Manner of Payment.** All payments provided for herein shall be paid to Crestcom in the United States in U.S. Dollars net of any taxes or withholdings. The exchange rate for calculating payments due hereunder shall be the exchange rate published in The Wall Street Journal on the day the payment is due. If, for any reason whatsoever, a payment that is due to Crestcom under this Agreement is not paid on the date that such payment is due, the exchange rate to be used shall be either the exchange rate published on the due date or the exchange rate published on the date that the payment is actually made, whichever results in a greater amount to Crestcom. If The Wall Street Journal is not published on the date of conversion, the applicable exchange rate shall be that rate published in The Wall Street Journal on the nearest date of publication prior to the date of conversion, or by a successor or equivalent publication to be designated by Crestcom in the event The Wall Street Journal ceases to be published or ceases to publish the applicable exchange rates. Crestcom may designate and change payment instructions at any time on prior written notice to Franchisee. Franchisee shall be solely responsible for the payment of any costs and charges incurred in connection with the transfer and exchange of currency over and above any fees due or paid.

**22.24. Translation of Agreement.** The English language will be regarded as the authoritative and official text of this Agreement; however, this Agreement may be translated into the language in dominant use in the Assigned Area, at Franchisee's expense, in the event that translation is necessary for any reason, including for the purpose of registration of this Agreement with the applicable governmental authority. Nevertheless, in the event that any discrepancies exist between the English text and the translated text, the English text will be considered the official text of this Agreement.

**22.25. Crestcom's Reserved Rights.** Notwithstanding anything in this Agreement to the contrary, Crestcom shall have the right to exchange Materials for transport, travel, or lodging within the Assigned Area where the intent of such exchange for transport, travel, or lodging is related to aiding Franchisee's activities within the Assigned Area. Crestcom also reserves the right to sell or exchange the Materials in conjunction with live appearances by any officer of Crestcom.

**22.26. Acknowledgment.** BEFORE SIGNING THIS AGREEMENT, FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. FRANCHISEE REPRESENTS AND WARRANTS THAT IT HAS INDUCED CRESTCOM TO ENTER INTO THIS AGREEMENT BASED ON THE REPRESENTATIONS AND WARRANTIES MADE TO CRESTCOM AND SET FORTH IN THIS AGREEMENT, INCLUDING THE FOLLOWING. THE FOLLOWING REPRESENTATIONS AND WARRANTIES SHALL SURVIVE THE TERMINATION OR EXPIRATION OF THIS AGREEMENT. FRANCHISEE ACKNOWLEDGES THAT:



**a.** FRANCHISEE OR ITS PRINCIPAL REPRESENTATIVE HAS BEEN AFFORDED THE OPPORTUNITY TO ASK SUCH QUESTIONS AND REVIEW SUCH MATERIALS OF CRESTCOM AS FRANCHISEE OR ITS PRINCIPAL REPRESENTATIVE DEEMS RELEVANT IN ORDER TO MAKE A DECISION TO ENTER INTO THIS AGREEMENT AND ACQUIRE A FRANCHISE HEREUNDER, AND HAS SUCH KNOWLEDGE AND EXPERIENCE IN FINANCIAL, TAX AND BUSINESS MATTERS AND HAS PRIOR KNOWLEDGE AND EXPERIENCE IN MANAGEMENT, SALES OR PERSONNEL TRAINING OR RELATED FIELDS SO AS TO ENABLE FRANCHISEE OR ITS PRINCIPAL REPRESENTATIVE TO UTILIZE THE INFORMATION MADE AVAILABLE TO FRANCHISEE AND FULLY UNDERSTAND SUCH INFORMATION;

**b.** THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON FRANCHISEE'S ABILITY AS AN INDEPENDENT BUSINESSPERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS;

**c.** NO ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, HAS BEEN GIVEN AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED;

**d.** FRANCHISEE HAS HAD AN OPPORTUNITY TO CONDUCT AN INDEPENDENT INVESTIGATION OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT AND RECOGNIZES THAT, LIKE ANY OTHER BUSINESS, THE NATURE OF THIS BUSINESS MAY EVOLVE AND CHANGE OVER TIME, THAT THE INVESTMENT INVOLVES BUSINESS RISKS AND THAT THE SUCCESS OF THE VENTURE IS LARGELY DEPENDENT ON FRANCHISEE'S BUSINESS ABILITIES AND EFFORTS;

**e.** FRANCHISEE HAS MADE NO MISREPRESENTATIONS IN OBTAINING THE FRANCHISE GRANTED PURSUANT TO THIS AGREEMENT;

**f.** FRANCHISEE IS FAMILIAR WITH AND HAS THE NECESSARY MANAGERIAL AND FINANCIAL ABILITY TO OPERATE, DEVELOP AND MAINTAIN THE CRESTCOM BUSINESS AND THAT IT HAS OR WILL HAVE SUFFICIENT STAFF AND OFFICES TO OPERATE THE CRESTCOM BUSINESS AND TO CARRY OUT THE OTHER TERMS AND CONDITIONS OF THIS AGREEMENT;

**g.** FRANCHISEE UNDERSTANDS AND ACKNOWLEDGES THAT IT IS FAMILIAR WITH THE APPLICABLE LAWS AND REGULATIONS CONCERNING THE OPERATION OF THE CRESTCOM BUSINESS IN THE ASSIGNED AREA, AND AGREES TO USE ITS BEST EFFORTS TO COMPLY WITH THEM; AND

**h.** NEITHER FRANCHISEE, NOR ANY OFFICER, DIRECTOR, MEMBER, MANAGER OR PARTNER OF FRANCHISEE (AS APPLICABLE), IS SUBJECT TO UNITED STATES EXECUTIVE ORDER 13224 OR THE PATRIOT ACT. IF FRANCHISEE, OR ANY OFFICER, DIRECTOR, MEMBER, MANAGER OR PARTNER OF FRANCHISEE (AS APPLICABLE), BECOMES SUBJECT TO UNITED STATES EXECUTIVE ORDER 13224 OR THE PATRIOT ACT, FRANCHISEE SHALL NOTIFY CRESTCOM IMMEDIATELY THEREOF.

The parties have executed this Agreement to be made effective as of the date set forth below.

**CRESTCOM:**

**CRESTCOM INTERNATIONAL, LLC**

Date: \_\_\_\_\_

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

Title: \_\_\_\_\_

E-mail Address: info@crestcom.com

**FRANCHISEE:**

Date: \_\_\_\_\_

\_\_\_\_\_

Individually

OR:

(if a corporation, partnership  
or other business entity)

\_\_\_\_\_

Company Name

Date: \_\_\_\_\_

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

Title: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

**EXHIBIT I  
TO FRANCHISE AGREEMENT**

**ADDENDUM TO CRESTCOM INTERNATIONAL, LLC  
FRANCHISE AGREEMENT**

This is an Addendum (“**Addendum**”) to the Franchise Agreement (the “**Agreement**”) by and between Crestcom International, LLC, hereinafter “**Crestcom**” and the undersigned franchisee, hereinafter “**Franchisee**.” This Addendum modifies the terms of the Agreement and in the event of a conflict in terms between the Agreement and this Addendum, the terms of this Addendum shall be controlling.

The parties agree as follows:

1. Franchise Location. The Franchise Location, referenced in **Section 3.1** of the Agreement, will be located at:\_\_\_\_\_

2. Assigned Area. The Assigned Area, referenced in **Section 3.2** of the Agreement, will be the geographic area described as:\_\_\_\_\_, on a non-exclusive basis.

3. Initial Franchise Fee. The initial franchise fee, referenced in **Section 4.1** of the Agreement, will be the sum of \$\_\_\_\_\_ (U.S. Dollars), which shall be payable as follows:

*[SIGNATURES APPEAR ON THE FOLLOWING PAGE]*

The parties have executed this Addendum to be made effective as of even date with the Agreement.

**CRESTCOM:**

**CRESTCOM INTERNATIONAL, LLC**

Date: \_\_\_\_\_

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

**FRANCHISEE:**

Date: \_\_\_\_\_

\_\_\_\_\_  
Individually

OR:  
(if a corporation, partnership  
or other business entity)

\_\_\_\_\_  
Company Name

Date: \_\_\_\_\_

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

**EXHIBIT II  
TO FRANCHISE AGREEMENT**

**FAST START KIT**

Item #	Materials	Qty	Price	Totals
1	External Hard Drive:	1		275.00
	Personal Action Plans			
	Bullet Proof® Manager (BPM) Sales Process Videos			
	The Return On Investment Meeting Training Video			
	Bullet Proof® Manager Facilitation Training Videos			
	Executive Overview/Leadership Skills Workshop Video			
	Bullet Proof® Manager 5 Video Library			
	Executive Overview Presentation (Tablet, iPad, PC)			
	Business Card templates			
	Social Media toolkit			
2	Unikey	1		250.00
			250.00	
3	Binder w/ full year packets	1		51.00
			51.00	
4	Crestcom Banner Display	1		225.00
			225.00	
5	Bullet Proof® Manager 5 Video Library Online Access			225.00
6	Client Training Agreement Forms	40	0.75	30.00
7	Tablet	1	420.00	420.00
8	Bullet Proof® Manager 5 Program Brochures	100	1.25	125.00
9	Plaque & Certificate of Completion	1	9.00	9.00
10	Leadership Skills Workshop Covers (Set of 50)	1	37.50	37.50
11	Personal Action Plans	100	0.18	17.50
12	Policy and Procedure Manual (received in training)	1	52.00	52.00
13	Stationery: Business Cards, Letterhead, Envelopes	1	195.00	195.00
14	Crestcom Executive Pen	1	23.00	23.00
15	Messenger Bag w/ Crestcom logo	1	70.00	70.00
16	Crestcom Marketing Kit	5	7.00	35.00
			<b>Total:</b>	\$2,040.00

All amounts shown in this table are in United States Dollars.

**EXHIBIT III  
TO FRANCHISE AGREEMENT**

**STATEMENT OF OWNERSHIP**

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

**Trade Name** (if different from above): \_\_\_\_\_

Form of Ownership (Check One)

\_\_\_\_ Individual    \_\_\_\_ Partnership    \_\_\_\_ Corporation    \_\_\_\_ Limited Liability Company    \_\_\_\_ Other

If an Individual, provide the name, address, and social security or other national identification number of the Individual.

If a Partnership, provide the name, address, and social security or other national identification number of each partner showing the percentage owned and whether each is active in management, indicate the country, state and/or province in which the partnership was formed and the date it was formed, and provide a copy of the Partnership Agreement.

If a Corporation, provide the name, address, and social security or other national identification number of each officer and director, and list the name, address, and social security or other national identification number of every shareholder showing what percentage of stock is owned by each, indicate the country, state and/or province and date of incorporation, and provide a copy of the Articles of Incorporation certified by the Secretary of State or other official for the country, state and/or province in which the corporation was formed.

If a Limited Liability Company, provide the name, address, and social security or other national identification number of each member and each manager showing the percentage owned, indicate the country, state and/or province in which the Limited Liability Company was formed and the date it was formed, and provide a copy of the Articles of Organization certified by the Secretary of State or other official for the country, state and/or province in which the Limited Liability Company was formed and the Operating Agreement.

If another type of business entity, provide the name, address, and social security or other national identification number of each owner and each officer or manager showing the percentage owned, indicate the country, state and/or province in which the business entity was formed and the date it was formed, and provide a copy of any articles of formation and governing agreements certified, if applicable, by the Secretary of State or other official for the country, state and/or province in which the business entity was formed.

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

Social Security/National ID Number(s) of Individual Franchisee or Principals: \_\_\_\_\_

Franchisee acknowledges that this Statement of Ownership applies to the CRESTCOM Business authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to Crestcom in writing.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name

**EXHIBIT IV  
TO FRANCHISE AGREEMENT**

**GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS**

A. In consideration of, and as an inducement to, the execution of the above Franchise Agreement (the "**Franchise Agreement**") by Crestcom International, LLC ("**Crestcom**"), each of the undersigned personally and unconditionally:

1. Guarantees to Crestcom and its successors and assigns, for the term of the Franchise Agreement, including successor franchise terms, that the undersigned franchisee named on the signature page hereto ("**Franchisee**") will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement;
2. Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement and any notes, security agreements or other instruments or agreements relating to the purchase of the franchised business governed by the Franchise Agreement; and
3. Agrees to be personally bound by the covenants against competition and other restrictive covenants contained in **Article 19** and elsewhere in the Franchise Agreement.

B. Each of the undersigned waives all of the following:

1. Acceptance and notice of acceptance by Crestcom of the foregoing undertaking.
2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed.
3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed.
4. Any right he or she may have to require that any action be brought against Franchisee or any other person as a condition of liability.
5. Notice of any amendment, modification, deletion or addition of any term or condition of or to any of the obligations hereby guaranteed.
6. Notice of any termination as to future liability of any other guarantor.
7. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

C. Each of the undersigned consents and agrees to all of the following:

1. His or her direct and immediate liability under this guaranty will be joint and several.
2. He or she will render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so.

3. Such liability will not be contingent or conditioned upon pursuit by Crestcom of any remedies against Franchisee or any other person.

4. Such liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Crestcom may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this guaranty, which will be continuing and irrevocable during the term of the Franchise Agreement, including successor franchise terms.

5. He or she shall be bound by the restrictive covenants, confidentiality provisions, audit provisions, and the indemnification provisions contained in the Franchise Agreement.

6. Crestcom may, at its option, without notice to or further consent of him or her, take any of the following actions:

(i) retain the primary or secondary liability of any other party with respect to all or any part of the obligations hereby guaranteed.

(ii) release or compromise any liability of any other guarantor or any other party with respect to the obligations hereby guaranteed.

(iii) amend, modify, delete, or add any term or condition of or to any of the obligations hereby guaranteed, which may include the creation of new obligations.

D. No delay or neglect on the part of Crestcom in the exercise of any right or remedy existing under law or by virtue of this Guaranty shall operate as a waiver thereof, but such rights and remedies shall continue in full force and effect until specifically waived or released by an instrument in writing executed by Crestcom and designated as a waiver or release; and no single or partial exercise by Crestcom of any right or remedy shall preclude further exercise thereof or the exercise of any right or remedy.

E. The arbitration, injunctive relief, governing law and jurisdiction provisions contained in the Franchise Agreement shall govern this Guaranty, and such provisions are incorporated into this Guaranty by this reference.

Each of the undersigned has affixed his or her signature effective on the same day and year as the Franchise Agreement was executed.

*[SIGNATURES APPEAR ON THE FOLLOWING PAGE]*



**FRANCHISEE:**

---

**GUARANTOR(S):**

---

(Print Name)

---

Signature

---

Address

---

---

Telephone Number

---

(Print Name)

---

Signature

---

Address

---

---

Telephone Number

**EXHIBIT V**  
**TO FRANCHISE AGREEMENT**

**CREDIT CARD AUTHORIZATION**

This Credit Card Authorization (this “**Authorization**”) is entered into this \_\_\_ day of \_\_\_\_\_, 201\_\_\_ by the undersigned credit card account owner (“**Owner**”). Owner agrees that Crestcom International, LLC (“**Crestcom**”) may charge (in Crestcom’s sole discretion) the account(s) listed below for payment of past due fees, interest charges, or other past due charges owed to Crestcom (as specified below), as follows:

1. Owner authorizes Crestcom to charge Owner’s account(s), as listed below, for past due Distribution Fees, Royalty Fees, MMR Fees, Media Access Fees, Client Access Fees, and for Administrative Fees, Late Charge, and interest charges, as defined in one or more Franchise Agreements between Owner, or a company controlled by Owner, and Crestcom; along with other past due amounts owed by Owner, or a company controlled by Owner, to Crestcom under any agreement between the parties.

Type of Credit Card:     \_\_\_ VISA                     \_\_\_ MASTERCARD

Credit Issuer: \_\_\_\_\_

Account Number: \_\_\_\_\_                             Expiration Date: \_\_\_\_\_

Current Credit Limit: \$ \_\_\_\_\_

Type of Credit Card:     \_\_\_ VISA                     \_\_\_ MASTERCARD

Card Issuer: \_\_\_\_\_

Account Number: \_\_\_\_\_                             Expiration Date: \_\_\_\_\_

Current Credit Limit: \$ \_\_\_\_\_

2. Owner agrees that this Authorization will remain in effect for each Crestcom Franchise Agreement of Owner, or a company controlled by Owner, throughout the duration of the applicable Franchise Agreement, unless Crestcom agrees to an earlier termination of this Authorization. Owner agrees not to revoke any Authorization prior to the termination of the applicable Franchise Agreement, without prior written consent of Crestcom. Owner agrees that the credit card issuer cannot cancel this Authorization without receiving written consent from Crestcom.

3. Owner agrees to maintain, at all times, sufficient available credit in each account covered by this Authorization to pay past due amounts and associated charges, as listed above, but, in any event the available credit on each account should not be less than \$5,000.00. Owner shall notify Crestcom of the expiration, termination, or any other change in its account(s) covered by this Agreement, within one business day of the change, providing new account numbers and other information requested by Crestcom. Owner agrees to execute a new Authorization within three business days after receipt of a new Authorization form from Crestcom.

4. Owner agrees that Crestcom may charge Owner's account(s) listed above, as applicable, whenever fees owed by Owner, or a company controlled by Owner, are past due, as follows:

(a) Crestcom may charge Owner's credit card account(s) for the amount of past due Distribution Fees, Royalty Fees, MMR Fees, Media Access Fees, Client Access Fees, plus any Administrative Fees, default interest and Late Charge described below and permitted under the applicable Crestcom Franchise Agreement and/or other fees or amounts owed to Crestcom, each time Owner, or a company controlled by Owner, does not pay its fees or amounts owed when due.

(b) Crestcom may charge the following Administrative Fee, Late Charge, and interest to Owner's credit card account, with or apart from the actual past due Distribution Fee, Royalty Fee, Media Access Fee, Assessed Fee, or any other fees or amounts owed by Crestcom. The **Administrative Fee** is \$10.00, and the **Late Charge** is 3 percent of the actual past due amount and fees assessed. If any payment required to be made by Owner to Crestcom under a Franchise Agreement is seven or more days late, Crestcom may also charge Owner's account(s) interest on any past due amounts at the lesser of 18 percent per annum, or the highest rate allowable per law, accruing from the date of the default.

5. Crestcom may bill Owner directly for any amounts owed by Owner, or a company controlled by Owner, to Crestcom for which Crestcom does not charge Owner's account(s) under this Authorization.

6. A company is considered to be "controlled by Owner" if Owner is a guarantor of a Franchise Agreement between the company and Crestcom; or if Owner has a 10 percent or greater shareholder, partnership, or member interest in the company, or is the sole proprietor of the company.

7. Owner agrees to execute any other documents required by any credit card processing company, any credit card issuer, any other entity, or by law, as necessary to enable Crestcom to exercise the rights granted to it by this Authorization.

8. All capitalized terms not defined in this Authorization are defined as in the applicable Franchise Agreement between Crestcom and Owner.

**OWNER:**

\_\_\_\_\_

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

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT VI  
TO FRANCHISE AGREEMENT**

**RIDERS TO FRANCHISE AGREEMENT FOR SPECIFIC STATES AND/OR COUNTRIES**

If any one or more of the following Riders to the Franchise Agreement for Specific States and/or Countries (“**Riders**”) is checked as an “Applicable Rider” below, then that Rider shall be incorporated into the Franchise Agreement entered into by Crestcom International, LLC and the undersigned Franchisee. To the extent any terms of an Applicable Rider conflict with the terms of the Franchise Agreement, the terms of the Rider shall supersede the terms of the Franchise Agreement.

**APPLICABLE RIDER:**

**United States**

- |                                     |                                       |                                       |
|-------------------------------------|---------------------------------------|---------------------------------------|
| <input type="checkbox"/> California | <input type="checkbox"/> Minnesota    | <input type="checkbox"/> South Dakota |
| <input type="checkbox"/> Hawaii     | <input type="checkbox"/> New York     | <input type="checkbox"/> Virginia     |
| <input type="checkbox"/> Illinois   | <input type="checkbox"/> North Dakota | <input type="checkbox"/> Washington   |
| <input type="checkbox"/> Indiana    | <input type="checkbox"/> Rhode Island | <input type="checkbox"/> Wisconsin    |
| <input type="checkbox"/> Maryland   |                                       |                                       |

**CRESTCOM:**

**CRESTCOM INTERNATIONAL, LLC**

Date: \_\_\_\_\_

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

**FRANCHISEE:**

\_\_\_\_\_

Date: \_\_\_\_\_

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

## UNITED STATES RIDERS TO FRANCHISE AGREEMENT

### CALIFORNIA RIDER TO FRANCHISE AGREEMENT

1. The following language is added at the end of **Article 4**:

All initial fees payable to Crestcom shall be deferred until the day that Crestcom has completed its initial obligations to Franchisee.

2. **Section 21.5** is deleted and replaced with the following language:

**21.5. Governing Law/Consent to Jurisdiction/Waiver of Jury Trial.** The United States Federal Arbitration Act shall govern all questions about the enforceability and scope of **Sections 21.1** and **21.2**, and no arbitration issues are to be resolved pursuant to any other statutes, regulations or common law. Otherwise, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or applicable international trademark law, this Agreement shall be interpreted under the laws of the State of Colorado U.S.A. and any dispute between the parties shall be governed by and determined in accordance with the internal substantive laws, and not the laws of conflict, of the State of Colorado U.S.A., which laws shall prevail in the event of any conflict of law. Notwithstanding the foregoing, the parties agree that the Colorado Consumer Protection Act (COLO. REV. STAT. ANN. Sections 6-1-101, et seq.) shall not apply to this Agreement or any disputes between the parties. If a claim is asserted in any legal proceeding not subject to mandatory arbitration, as specified in **Section 21.1**, involving Franchisee, its employees, officers or directors (collectively, “**Franchisee Affiliates**”) and Crestcom, its employees, officers or directors (collectively, “**Crestcom Affiliates**”), both parties consent to jurisdiction and venue for disputes between them in the state and federal courts of Colorado U.S.A., and each waive any objection either may have to the personal jurisdiction of or venue in the state and federal courts of Colorado U.S.A. Notwithstanding the foregoing, the decision as to whether a claim is subject to mandatory arbitration shall be made by an arbitrator, not a court. **IF A CLAIM MAY BE BROUGHT IN COURT, THEN CRESTCOM, THE CRESTCOM AFFILIATES, FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

### HAWAII RIDER TO FRANCHISE AGREEMENT

1. The following language is added at the end of **Article 4**:

All initial fees payable to Crestcom shall be deferred until Crestcom has fulfilled its initial obligations to Franchisee under this Agreement.

2. The following language is added at the end of **Sections 15.2.f, 16.3.d** and **22.2**:

Any release executed pursuant to this Section will not apply to any claims that may arise under the Hawaii Franchise Investment Law.

3. The following paragraph is added to **Section 17.4.f**:

Section 482E-6(3) of the Hawaii Revised Statutes provides that upon termination or refusal to renew the Franchise, Crestcom is obligated to compensate Franchisee for the

fair market value, at the time of the termination or expiration of the Franchise, of Franchisee's inventory, supplies, equipment and furnishings purchased from Crestcom or a supplier designated by Crestcom; provided that personalized materials which have no value to Crestcom need not be compensated for. If Crestcom refuses to renew a Franchise for the purpose of converting Franchisee's business to one owned and operated by Crestcom, Crestcom, in addition to the remedies provided above, shall compensate Franchisee for the loss of goodwill. Crestcom may deduct from such compensation reasonable costs incurred in removing, transporting and disposing of Franchisee's inventory, supplies, equipment and furnishings pursuant to this requirement, and may offset from such compensation any monies due Crestcom.

## **ILLINOIS RIDER TO FRANCHISE AGREEMENT**

1. The following language is added to the end of **Article 4**:

All initial fees payable to Crestcom and any of its affiliates shall be deferred until Crestcom has fulfilled all of its initial obligations to Franchisee and Franchisee has commenced doing business pursuant to this Agreement. This deferral requirement has been imposed by the Illinois Attorney General's Office based on Crestcom's financial condition.

2. **Section 21.5** is deleted and replaced with the following language:

### **21.5. Governing Law/Consent to Jurisdiction.**

The United States Federal Arbitration Act shall govern all questions about the enforceability and scope of **Sections 21.1** and **21.2**, and no arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Otherwise, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or applicable international trademark law, all matters regarding this Agreement shall be interpreted under the laws of the State of Illinois. Franchisee and Crestcom have negotiated regarding a forum in which to resolve any disputes that arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding not subject to mandatory arbitration, as specified in **Section 21.1**, involving Franchisee, its employees, officers or directors (collectively, "**Franchisee Affiliates**") and Crestcom, its employees, officers or directors (collectively, "**Crestcom Affiliates**"), both parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado U.S.A., and each waive any objection either may have to the personal jurisdiction of or venue in the state and federal courts of Colorado U.S.A. Notwithstanding the foregoing, the decision as to whether a claim is subject to mandatory arbitration shall be made by an arbitrator, not a court. Under Section 41 of the Illinois Franchise Disclosure Act of 1987 (the "**Illinois Act**"), nothing in this Agreement shall require Franchisee to waive, or be deemed a waiver by Franchisee of, compliance with the Illinois Act or any other applicable laws of the State of Illinois. Section 4 of the Illinois Act provides that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of the State of Illinois is void provided that a franchise agreement may provide for arbitration in a forum outside of the State of Illinois.

3. The following language is added to the end of **Section 22.3**:

This provision does not act to exclude any express written commitments, representations or undertakings in the Crestcom Franchise Disclosure Document provided by Crestcom to Franchisee.

4. **Section 22.7** is deleted and replaced with the following language:

**22.7. Limitation on Actions.**

All claims and actions of Franchisee arising out of or relating to this Agreement, the relationship between Franchisee and Crestcom, or Franchisee's operation of its CRESTCOM Business shall be commenced by Franchisee within three years after the event that caused the violation of the Illinois Act, within one year after Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim, or within 90 days after delivery to Franchisee of a written notice of the violation, whichever shall first expire, or the claim will be barred.

5. **Section 22.26** is deleted and replaced with the following language:

**22.26. Acknowledgement.**

**BEFORE SIGNING THIS AGREEMENT, FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. FRANCHISEE ACKNOWLEDGES THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON FRANCHISEE'S ABILITY AS AN INDEPENDENT BUSINESSPERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS.**

6. Section 41 of the Illinois Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void. Section 41 does 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 Illinois Act, nor does it prevent the arbitration of any claim pursuant to the provision of Title 9 of the United States Code.

**INDIANA RIDER TO FRANCHISE AGREEMENT**

1. The following statement is added to **Section 3.5**:

Indiana law prohibits Crestcom from establishing a Crestcom-owned outlet engaged in a substantially identical business within Franchisee's Assigned Area, or if no exclusive territory is designated, that competes unfairly with Franchisee within a reasonable area.

2. The following language is added to the end of **Sections 15.2.f, 16.3.d** and **22.2**:

Any release executed pursuant to this Section will not apply to any claims that may arise under the Indiana Franchise Disclosure Law and Indiana Deceptive Franchise Practices Act.

3. The words, "or within the Assigned Area of any other franchised, licensed or company-owned CRESTCOM Business," are deleted from **Section 19.2**.

4. The third sentence of **Section 21.1** is deleted and replaced with the following language:

Such arbitration proceedings will be conducted at a location in the State of Indiana, but only if there is a valid and legal restriction under Indiana law to prohibit the parties from agreeing to a site of arbitration in Denver, Colorado. However, Crestcom and Franchisee dispute that this is a valid and legal restriction under Indiana law, and, unless this restriction is found to be valid and legal, the parties agree that arbitration shall take place in Denver, Colorado. Crestcom and Franchisee intend to enforce their rights to agree to the Denver, Colorado venue for arbitration. Arbitration proceedings will be heard by one arbitrator in accordance with the then current rules of AAA that apply to commercial arbitration.

5. **Section 21.5** is deleted and replaced with the following language:

**21.5. Governing Law/Consent to Jurisdiction/Waiver of Jury Trial.** The United States Federal Arbitration Act shall govern all questions about the enforceability and scope of **Sections 21.1** and **21.2**, and no arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Otherwise, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.*) or applicable international trademark law, disputes related to a breach of this Agreement governed by the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law shall be governed thereby, and all other matters regarding this Agreement shall be governed by the laws of the State of Colorado. Subject to the foregoing, Franchisee and Crestcom have negotiated regarding a forum in which to resolve any disputes that arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving Franchisee, its employees, officers or directors (collectively, “**Franchisee Affiliates**”) and Crestcom, its employees, officers or directors (collectively, “**Crestcom Affiliates**”), both parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado and each waive any objection either may have to the personal jurisdiction of or venue in the state and federal courts of Colorado. Notwithstanding the foregoing, the decision as to whether a claim is subject to mandatory arbitration shall be made by an arbitrator, not a court. **IF A CLAIM MAY BE BROUGHT IN COURT, THEN CRESTCOM, THE CRESTCOM AFFILIATES, FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.**

6. The following sentence is added at the end of **Section 22.3**:

Notwithstanding anything to the contrary in this provision, Franchisee does not waive any right under the Indiana statutes with regard to prior representations made by Crestcom.

7. **Section 22.7** is deleted, and replaced with the following language:

**22.7 Limitation on Actions.** Any and all claims and actions of Franchisee arising out of or relating to this Agreement, the relationship between Franchisee and Crestcom, or Franchisee’s operation of its CRESTCOM Business shall be commenced within the time period specified in Indiana Law.



## **MARYLAND RIDER TO FRANCHISE AGREEMENT**

1. The following language is added to the end of **Article 4**:

All initial fees and payments payable to Crestcom shall be deferred until Crestcom has completed its initial obligations to Franchisee.

2. The following language is added at the end of **Section 15.2.f** (Preconditions to Franchisee's Assignment) and **16.3.d** (Rights Upon Expiration):

(Any release executed in connection herewith will not apply to any claims that may arise under the Maryland Franchise Registration and Disclosure Law.)

3. The following sentence is added to the end of **Section 21.1** and **Section 22.7**:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

4. The following paragraph is added to the end of **Section 21.5**:

Franchisee may commence any cause of action against Crestcom in any court of competent jurisdiction, including the state or federal courts of Maryland, unless otherwise governed by the arbitration provisions of this Agreement. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

5. 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.

## **MINNESOTA RIDER TO FRANCHISE AGREEMENT**

1. The following language is added to the end of **Article 4**:

All initial fees payable to Crestcom shall be deferred until the day Franchisee's CRESTCOM Business opens for business.

2. The following sentences are added to **Section 13.6**:

Crestcom will protect Franchisee's right to use its Marks to the extent required under Minnesota law. The Minnesota Department of Commerce requires franchisors to indemnify franchisees against liability to third parties resulting from claims by third parties that the franchisees' use of the franchisor's marks infringes upon the trademark rights of the third parties.

3. The following sentence is added to **Articles 15 and 17**:

Crestcom will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that Franchisee be given 90 days' notice of

termination (with 60 days to cure) and 180 days' notice for nonrenewal of this Agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

4. The following sentence is added to **Section 21.4**:

Pursuant to Minnesota Rule 2860.4400(J), a franchisee cannot consent to a franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

5. The following paragraph is added to **Section 21.5**:

Minnesota Statute §80C.21 and Minnesota Rule 2860.4400(J) prohibit Crestcom from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document or this Agreement can abrogate or reduce (1) any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or (2) Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. The above language has been included in this Agreement as a condition to registration. Crestcom and Franchisee do not agree with the above language and believe that each of the provisions of this Agreement, including all choice of law provisions, are fully enforceable. Crestcom and Franchisee intend to fully enforce all of the provisions of this Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

6. The following sentence is added to **Section 22.7**:

Notwithstanding the foregoing, any claims and actions based on a violation of Chapter 80C of the Minnesota statutes or any rule or order thereunder shall be commenced within three years from the occurrence of the facts giving rise to such claim or action pursuant to Minn. Stat. §80C.17, subd. 5.

7. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided, it does not bar the voluntary settlement of disputes. All applicable provisions are deemed hereby amended.

#### **NEW YORK RIDER TO FRANCHISE AGREEMENT**

1. The following sentence is added to **Section 8.3**:

Any new or different requirements set forth in the Procedures Manual shall not unreasonably increase Franchisee's obligations or place an excessive burden on Franchisee's operation of its CRESTCOM Business.

2. The following sentence is added at the end of **Sections 15.2.f** and **16.3.d**:

Provided however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this

proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

3. The following sentence is added to **Section 15.6**:

However, no assignment shall be made except to an assignee who, in the good faith judgment of Crestcom, is willing and able to assume Crestcom's obligations under this Agreement.

4. The following is added to **Article 17**:

Franchisee may terminate the Agreement upon any grounds available by law.

5. After the first sentence of **Section 18.3**, the following sentence is added:

However, Franchisee shall not be required to indemnify Crestcom for any liabilities which arose as a result of Crestcom's breach of this Agreement or other civil wrongs committed by Crestcom.

6. The following sentence is added to **Section 21.5**:

The foregoing choice of law should not be considered a waiver of any right conferred upon either Crestcom or Franchisee by the General Business Law of the State of New York, Article 33. The preceding sentence has been included in this Agreement as a condition to registration. Crestcom and Franchisee do not agree with the above language and believe that each of the provisions of this Agreement, including all choice-of-law provisions, are fully enforceable. Crestcom and Franchisee intend to fully enforce all of the provisions of this Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

#### **NORTH DAKOTA RIDER TO FRANCHISE AGREEMENT**

1. The following is added at the end of **Article 4**:

All initial fees payable to Crestcom shall be deferred until Crestcom has fulfilled all of its initial obligations to Franchisee and Franchisee has commenced doing business.

2. The following is added at the end of **Sections 15.2.f** and **16.3.d**:

Any release executed in connection herewith shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.

3. The following sentence is added at the end of **Section 19.2**:

COVENANTS NOT TO COMPETE SUCH AS THOSE MENTIONED ABOVE ARE GENERALLY CONSIDERED UNENFORCEABLE IN THE STATE OF NORTH DAKOTA.

4. The third sentence of **Section 21.1** is deleted and the following is inserted in its place:

The arbitration shall be conducted at a place mutually agreed upon by the parties, but only if there is a valid and legal restriction of the North Dakota Securities Commissioner to prohibit the parties from agreeing to a site of arbitration in Denver, Colorado. Unless this restriction is found to be valid and legal, the parties agree that arbitration shall take place in Denver, Colorado. Arbitration proceedings will be heard by one arbitrator in accordance with the then current rules of AAA that apply to commercial arbitration.

5. **Section 21.5** is deleted and the following is inserted in its place:

**21.5. Governing Law/Consent to Jurisdiction.** All disputes relating to **Section 21.1** of this Agreement and all disputes to be arbitrated by Crestcom and Franchisee shall be governed by the United States Federal Arbitration Act and no procedural arbitration issues are to be resolved pursuant to any state statutes, regulations or common law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or applicable international trademark law, all matters regarding this Agreement shall be governed by the laws of the State of North Dakota. The decision as to whether a claim is subject to mandatory arbitration shall be made by an arbitrator, not a court.

#### **RHODE ISLAND RIDER TO FRANCHISE AGREEMENT**

1. The following paragraph is added at the end of **Section 21.5**:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The foregoing language has been included in this Agreement as a condition to registration. Crestcom and Franchisee do not agree with the above language and believe that each of the provisions of this Agreement, including all choice of law provisions, are fully enforceable. Crestcom and Franchisee intend to fully enforce all of the provisions of this Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

#### **SOUTH DAKOTA RIDER TO FRANCHISE AGREEMENT**

1. The following is added at the end of **Article 4**:

All initial fees payable to Crestcom and any of its affiliates shall be deferred until Crestcom has fulfilled all of its initial obligations to Franchisee and Franchisee has commenced operations pursuant to this Agreement.

## **VIRGINIA RIDER TO FRANCHISE AGREEMENT**

1. The following is added at the end of **Article 4**:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires Crestcom to defer payment of the initial franchise fee and other initial payments owed by franchisees to Crestcom until Crestcom has completed its pre-opening obligations under this Agreement.

2. **Section 22.19** of the Agreement will not be applicable to the Agreement signed by a Virginia franchisee entering into the attached Agreement.

## **WASHINGTON RIDER TO FRANCHISE AGREEMENT**

Arbitration shall take place at a site to be determined, at the time of arbitration, by the arbitrator appointed by the Denver, Colorado office of JAG or AAA, as applicable, but only if there is a valid and legal restriction under the Washington Franchise Investment Protection Act (the "Act") to prohibit Franchisee and Crestcom from agreeing to a site of arbitration in Denver, Colorado. However, Franchisee and Crestcom do not agree that this is a valid and legal restriction under the Act, and, unless this restriction is found to be valid and legal, the parties agree that arbitration shall take place in Denver, Colorado in accordance with this Agreement. Franchisee and Crestcom believe that each of the provisions of this Agreement, including all venue provisions, are fully enforceable. Franchisee and Crestcom intend to fully enforce all of the provisions of this Agreement and all other documents signed by Franchisee and Crestcom, including but not limited to, all venue, choice-of-law, arbitration provisions, and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

In the event of a conflict of laws, the provisions of the Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by Franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after this Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act or, rights or remedies under the Act, such as a right to a jury trial, may not be enforceable.

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

## **WISCONSIN RIDER TO FRANCHISE AGREEMENT**

1. The following paragraph is added to the end of **Section 17.6**:

The conditions under which this Agreement can be terminated or not renewed may be effected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.

**ATTACHMENT B**

**CONFIDENTIALITY/APPLICATION AGREEMENT**



## CONFIDENTIALITY/APPLICATION AGREEMENT

\_\_\_\_\_ (“Applicant”)  
(check one:)  has paid  will pay a deposit of \$2,500.00 US\* to reserve a place in the Crestcom International, LLC (“Crestcom”) Franchise Training program.

*\* Tele-transfers must be made within 72 hours to maintain training reservations. If training is over ninety (90) days in the future, Applicant may make a \$1,250.00 US deposit now, with the balance payable at least thirty (30) days before the inception of training.*

In consideration of the deposit, Crestcom will pay 50% of the airfare for Executive Franchisee Applicant, by the most economical means of commercial air travel, for one person to the following city or cities for training. Crestcom does not contribute to the airfare for Area Developer Applicants.

City \_\_\_\_\_ City \_\_\_\_\_

Training will commence \_\_\_\_\_ and will finish \_\_\_\_\_

Applicant acknowledges that, as a part of Applicant’s training (or preparation for training), Applicant will be furnished with certain proprietary information. Applicant agrees not to divulge any proprietary information or trade secrets disclosed by Crestcom during, or in preparation for, training at any time, or utilize any of Crestcom’s proprietary methods or trade secrets, without the prior written consent of Crestcom, which may be withheld for any reason. Further, Applicant agrees not to copy, duplicate or otherwise replicate any of the materials furnished hereunder or as part of Applicant’s training and to immediately return, upon request, such materials.

Upon completion of the initial classroom training program, if Applicant’s training progress is not acceptable to Crestcom, Crestcom shall have the right to return the deposit made hereunder and neither party shall have any further obligation with respect to the other, except as is set forth in the immediate preceding paragraph.

If Applicant’s training progress is acceptable to Crestcom, Applicant shall have the following options:

- a. Reject the opportunity to become a Franchisee of Crestcom and receive a full refund of the training deposit paid hereunder, (refunds requested under this Application Agreement are to be made within five (5) working days of Applicant’s completion of training), or,
- b. Execute a copy of Crestcom’s then existing Franchise Agreement, complete the purchase of the Franchise (to which Crestcom will apply the training deposit upon the applicant’s request), complete any remaining segment of the initial training program, receive the Fast Start Kit, and commence operations as a Franchisee of Crestcom.

\_\_\_\_\_  
Applicant’s Signature Date  
*Signed confirmation by Applicant to the terms of this Confidentiality Application Agreement*

\_\_\_\_\_  
Crestcom International, LLC Date  
*Signed confirmation by Crestcom to the terms of this Confidentiality Application Agreement*

### Contact Information

Phone (Office) \_\_\_\_\_

Phone (Home) \_\_\_\_\_

Phone (Cell) \_\_\_\_\_

Fax \_\_\_\_\_

E-Mail \_\_\_\_\_

### Credit Card Information

*Details follow for deposits to be paid by credit card*

Name on Card \_\_\_\_\_

Card # \_\_\_\_\_

Expiration Date \_\_\_\_\_

### Bank Tele-Transfer Information

*Details follow for deposits to be paid by wire transfer*

#### Bank Name & Address:

FirstBank of Colorado  
P.O. Box 260400  
Lakewood, Colorado 80226 USA

#### Account Name:

Crestcom International, LLC

Account Number: 3405528658

Bank Number: 107005047

Swift Code: FBCRUS51

Bank Phone: +1 303-274-5000

### For Office Use Only

\_\_\_\_\_  
Date Deposit Received

**ATTACHMENT C**

**NONDISCLOSURE AND NONCOMPETITION AGREEMENT**



## NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement (the “**Agreement**”) is made effective on the date set forth on the signature page hereof, by and between CRESTCOM INTERNATIONAL, LLC, a Delaware limited liability company (“**Crestcom**”) located at 6900 East Belleview Avenue, Suite 100, Greenwood Village, Colorado 80111, the undersigned franchisee, distributor, or area developer (the “**Company**”), and the undersigned associate of the Company (“**Recipient**”).

### RECITALS

A. Crestcom is engaged in the business of operating and selling franchises, distributorships, and other rights for the operation of sales and management training businesses (“**CRESTCOM Businesses**”), associated with the marks “**CRESTCOM**®,” and “**CRESTCOM TRAINERS TO THE WORLD**®,” and utilizing copyrighted written materials, video media, audio media, online media, and other materials (“**Materials**”) and live instructional programs (“**Programs**”);

B. Crestcom and its affiliates have developed proprietary methods for establishing, operating and promoting the CRESTCOM Businesses utilizing certain confidential information relating to Company and its operations as more fully described herein, and have established substantial goodwill and an excellent reputation with respect to the quality of the Materials and Programs available, which goodwill and reputation have been and will continue to be of major benefit to Crestcom;

C. Company is a franchisee, distributor or area developer under an effective agreement with Crestcom (the “**Crestcom Agreement**”);

D. Recipient is or will become involved with Company in the capacity of an officer, partner, director, manager, agent, employee, or independent contractor (such capacities collectively referred to as “**Affiliation**”) or is related to a person who has an Affiliation with the Company, and will become privileged as to certain confidential information related to Crestcom, its operations, the CRESTCOM Businesses and/or the Materials and Programs; and

E. Recipient, Company and Crestcom have reached an understanding and agreement with regard to nondisclosure by Recipient of confidential information and with respect to noncompetition by Recipient with Crestcom and Company.

**NOW THEREFORE**, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Recipient, Company and Crestcom, intending legally to be bound, agree as follows:

### AGREEMENT

**1. Confidential Information.** Recipient recognizes and agrees that certain proprietary information relating to Crestcom and its operations (“**Confidential Information**”) is owned by and treated as confidential by Crestcom and Company, including without limitation, (1) all proprietary information concerning Crestcom’s business and the CRESTCOM Businesses; (2) all Crestcom’s financial information other than financial information filed with any government regulatory agency; (3) franchise, distributorship, and other business sales processes and promotional methods and materials; (4) Materials and Programs sales methods; (5) sales, motivational and management training techniques and methodology, including information relating to conducting live training programs; (6) all nonpublic statistical information; (7) the strategic plan, budgets and projections for Crestcom; (8) all information

concerning negotiations of any kind conducted by Crestcom whether pending or completed; (9) all marketing research data and marketing plans, including information relating to marketing or conducting of live training programs; (10) all lead generation or prospecting methods; (11) all information contained in Crestcom's procedures manuals, and any other manual or other nonpublic written information; (12) Crestcom's written, video medium, audio medium and related documentation and information including that contained on websites or on the Internet which relate to conducting live training programs; (13) internal lists of Crestcom's current and former franchisees, distributors, area developers and clients of Crestcom and its franchisees, distributors, and area developers, including contact information such as physical addresses and e-mail addresses thereof; and (14) all other information that may be considered a trade secret or proprietary and such Confidential Information that may be further developed from time to time by Crestcom.

**2. Use and Disclosure of Confidential Information.** Recipient acknowledges that, in connection with Recipient's Affiliation with Company, Crestcom or Company will disclose in strict confidence certain Confidential Information necessary for the operation of a CRESTCOM Business or for sale of the Materials and Programs. Recipient specifically acknowledges that the Confidential Information is valuable, unique and comprises a key portion of the assets of Crestcom; and Recipient agrees that he or she will not utilize all or any portion of the same for Recipient's personal benefit during the term of Recipient's Affiliation with Company, nor in any manner use the same subsequent to the termination of Recipient's Affiliation with Company or the termination or expiration of the Crestcom Agreement, nor disclose any of the same to any person, firm, corporation or other entity whatsoever, including but not limited to a Competitive Business, as defined below, at any time for any reason or purpose, without the prior written consent of Crestcom. Recipient shall not copy, publish or otherwise duplicate the Confidential Information or permit others to do so and shall return all Confidential Information to Crestcom or Company upon termination of Recipient's Affiliation with Company. Recipient may disclose to other employees, agents, or representatives of Crestcom or Company the Confidential Information only to the extent necessary for such employees, agents or representatives to carry out their intended function.

**3. No Engagement in Other Business During Term.** Recipient covenants and agrees that, during the term of his or her Affiliation, except while conducting Company's business in a manner authorized by Crestcom and Company, Recipient shall not engage in any other type of business or profession in addition to the CRESTCOM Business, or offer or market other types of programs or materials, make speeches or presentations, or conduct other training, unless Crestcom and Company approve such action in writing.

**4. Noncompetition Covenant.** Recipient covenants and agrees that, during the term of his or her Affiliation, except while conducting Company's business in a manner authorized by Crestcom and Company, Recipient shall not, either directly or indirectly through any member of Recipient's immediate family, separate business entity or otherwise:

(a) have any direct or indirect controlling interest as a disclosed or beneficial owner in a "Competitive Business," as defined below; or

(b) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business.

The term "**Competitive Business**" as used in this Agreement means any business operating, or granting franchises, licenses, distributorships, or rights to others to operate, a business that offers sales, motivational, office professional or personnel profiling or evaluation, personnel development, recruiting,

customer service, or management training or consulting, or other business or personnel development advice, aptitude, personnel assessment services or materials or training to individuals, companies or other organizations; or that sells or provides training or instruction, books, manuals, written materials, or audio, video, or online media (or similar materials of any kind transmitted by any form of electronic medium) providing instruction and advice in sales, motivational, office professional or personnel development, recruiting, customer service, management training, personnel profiling or evaluation, or other business or personnel development advice or training. However, Recipient will not be prohibited from owning securities, on a passive basis, in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 2 percent or less of that class of securities issued and outstanding.

**5. Post-Termination Covenant Not to Compete.** Recipient covenants and agrees that, for a period of 30 months after the earlier of (i) the effective date of termination or expiration of Recipient's Affiliation with the Company, or (ii) the effective date of termination or expiration of the Company's Crestcom Agreement, neither Recipient, nor any member of Recipient's immediate family, shall have any direct or indirect interest, as a disclosed or a beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity, in any "Competitive Business" located or operating within the Assigned Area or Development Area of the Company's CRESTCOM Business or within any Assigned Area or Development Area, as defined in the respective agreement, of any other franchised or licensed business of Crestcom. Recipient expressly acknowledges that he or she possesses business and career skills and abilities of a general nature and has other opportunities for exploiting such skills and abilities. Consequently, enforcement of this covenant will not deprive Recipient of his or her personal goodwill or ability to earn a living.

**6. No Diversion of Business or Employees.** During the term of Recipient's affiliation with the Company, and for a period of 30 months after the earlier of (i) the effective date of termination or expiration of Recipient's Affiliation with the Company, or (ii) the effective date of termination or expiration of the Company's Crestcom Agreement, Recipient agrees not to divert or attempt to divert any business related to the Company, Crestcom or any other franchisee, distributor, or area developer of Crestcom, or any client or account of the Company, Crestcom or any other franchisee, distributor, or area developer of Crestcom, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of Crestcom, the Company or any other franchisee, distributor, or area developer of Crestcom, to any Competitive Business by any direct inducement or otherwise.

**7. Prohibition Against Relationship With Talent.** During the term of Recipient's affiliation with the Company, and for a period of 30 months after the earlier of (i) the effective date of termination or expiration of Recipient's Affiliation with the Company, or (ii) the effective date of termination or expiration of the Company's Crestcom Agreement, Recipient agrees not to contact any of the talent set forth in the Materials for the purpose of engaging or utilizing such talent in the Company's CRESTCOM Business or in any Competitive Business, to enter into any business dealings or arrangements with such persons, or to broker any business dealings or arrangements involving the services of such individuals. The term "talent" shall mean the video faculty members who have contracted with Crestcom, either as of the date of this Agreement or at any time during the term of this Agreement, to present their areas of expertise in the Materials for use by Crestcom and its franchisees, distributors, and area developers.

**8. Post-Termination Prohibition Against Relationships with Franchisees.** For a period of 30 months after the earlier of (i) the effective date of termination or expiration of Recipient's Affiliation with the Company, or (ii) the effective date of termination or expiration of the Company's Crestcom Agreement, Recipient shall not hire, or attempt to hire or otherwise enter into any business

dealings or arrangements with any current or former franchisee, distributor, or area developer of Crestcom for the purpose of using such current or former franchisee's, distributor's, or area developer's services or materials in any Competitive Business.

**9. Non-Interference.** During the term of Recipient's affiliation with the Company, and for a period of 30 months after the earlier of (i) the effective date of termination or expiration of Recipient's Affiliation with the Company, or (ii) the effective date of termination or expiration of the Company's Crestcom Agreement, Recipient shall not interfere with the business of Crestcom by interfering with or disrupting, or attempting to interfere with or disrupt, the relationship, contractual or otherwise, between Crestcom or Company and any of their existing or prospective franchisees, distributors, area developers, customers, talent, suppliers, partners or joint venturers.

**10. Audit of Financial Records.** Crestcom or its designated representatives may inspect and/or audit any records of Recipient, Recipient's immediate family members, or any party affiliated with Recipient or its immediate family members, including any companies or entities associated with Recipient or its immediate family members, that Crestcom in its sole discretion determines may be relevant in determining Recipient's compliance with the terms of this Agreement or Company's compliance with its Crestcom Agreement. The records subject to this audit include (i) tax returns; (ii) quarterly and/or annual financial statements, including profit and loss statements and balance sheets; (iii) copies of check ledgers and bank statements for checking and savings accounts; (iv) copies of any checks or other evidence of payments; (v) business contracts or agreements; and (vi) any other documents requested by Crestcom. Any such inspection or audit shall be conducted in accordance with the audit provisions set forth in the Crestcom Agreement, which are deemed incorporated herein. Inspections and audits conducted at Recipient's business location or other location where the records are held may take place without prior notice, during normal business hours. Crestcom may also request at any time the records from Recipient or its affiliated parties be sent to Crestcom's offices or another location to permit the inspection or audit of such records to be conducted at Crestcom's place of business or the other location. If Crestcom requests documents be sent for the purpose of conducting an inspection or audit at a location other than Recipient's business location, Recipient shall provide the requested documents to Crestcom within the time period set forth in Crestcom's request. Crestcom may audit and inspect documents covering a period beginning with the date on which Recipient's Affiliation commenced and ending on the date such audit is concluded. All documents provided for Crestcom's inspection or audit must be certified by Recipient and the appropriate affiliated party, if applicable, as true, complete and correct. Inspections and audits may be conducted following the termination of Recipient's Affiliation for any reason.

**11. Invalidity.** If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority, arbitrator or otherwise having jurisdiction in an unappealed final decision to which Recipient is a party, the parties authorize and request such court, governmental authority, or arbitrator to modify the provision held to be void, voidable, invalid, unenforceable or inoperative to contain such lesser covenants that impose the maximum duty permitted by law so that the provision is upheld as valid, and the parties agree to be bound by such modified provision. Further such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect.

**12. Injunction.** Recipient hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, Crestcom or Company shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which Crestcom or Company may be entitled.

**13. Assignment.** Company or Crestcom may assign all or part of this Agreement and the rights which inure to either of them hereunder without the consent of Recipient, provided that any assignment by the Company shall require the written consent of Crestcom. This Agreement shall not be assignable by Recipient.

**14. Effect of Waiver.** The waiver by Recipient, Company or Crestcom of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

**15. Binding Effect.** This Agreement shall be binding upon and inure to the benefit of Recipient, Company and Crestcom and their respective heirs, executors, representatives, successors and assigns.

**16. Entire Agreement.** This instrument contains the entire agreement of Recipient, Company and Crestcom relating to the matters set forth herein. It may not be changed orally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought. Further, both Recipient and Company agree that no change to this Agreement shall be made without the written consent of Crestcom having first been obtained.

**17. Governing Law.** If Crestcom is a party to any action, this Agreement shall be governed by and construed under the laws of the State of Colorado, U.S.A. Otherwise, this Agreement shall be governed by and construed under the laws of the state, province, or country where Company is located.

**18. Arbitration.** Any and all controversies, disputes or claims between Crestcom, its subsidiaries and affiliated companies or their shareholders, officers, directors, agents, employees and attorneys (in their representative capacity); Company, its shareholders, officers, directors, agents and employees; and/or Recipient arising out of or related to: (1) this Agreement; (2) the relationship of the parties; or (3) the validity of this Agreement shall be submitted for arbitration on the demand of any involved party; except for actions for injunctive relief pursuant to Section 12 above, which actions Crestcom and/or Company at their option may bring either in a court of competent jurisdiction or in arbitration. If Crestcom is a party to any controversy, dispute or claim, such arbitration proceedings shall be conducted in Denver, Colorado, U.S.A., will be submitted to the Denver, Colorado, U.S.A. office of either the Judicial Arbitrator Group (“JAG”) or the American Arbitration Association (“AAA”), as selected by the party submitting the arbitration demand, and will be heard by one arbitrator in accordance with the then current rules of AAA applicable to commercial arbitration. The arbitrator shall be a resident of the State of Colorado, U.S.A. knowledgeable of Colorado law and fluent in English. The arbitration proceeding and all other hearings shall be conducted in English only, although Recipient shall have the right, at Recipient’s option and sole expense, to have a translator present at the proceeding or other hearings. If Crestcom is not a party to such controversy, dispute or claim, such arbitration proceedings shall be conducted within the Assigned Area or Development Area (as applicable, as defined in the Franchise Agreement or Area Development Agreement between Company and Crestcom) of the Company and will be heard by one arbitrator in accordance with the then current commercial arbitration rules of any arbitration group mutually acceptable to Company and Recipient, and if Company and Recipient cannot agree on an arbitration group within 30 days after demand for arbitration, then the American Arbitration Association shall conduct such arbitration in accordance with its then current commercial arbitration rules. All jurisdictional issues will be decided by the arbitrator.

**19. Attorneys’ Fees.** If Crestcom or Company must enforce any of the provisions or rights under this Agreement in any action at law or in equity and if the Company and/or Crestcom is successful

in such litigation or arbitration as determined by the court or arbitrator in a final judgment or decree taking into consideration the merits of the claims asserted by each party, then the Recipient shall pay Crestcom or Company, as applicable, all costs, expenses and reasonable attorneys' fees incurred by Crestcom and/or Company (including without limitation such costs, expenses and fees on any appeals), and if Crestcom and/or Company shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

**20. Definitions.** All capitalized terms not defined in this Agreement have the respective meanings set forth in the effective Franchise Agreement or Area Development Agreement between Company and Crestcom.

**21. Cross Default.** A default by Recipient under this Agreement will be deemed a default of all agreements between Company and Crestcom, unless waived by Crestcom in writing.

The parties have signed this Agreement on this \_\_\_\_ day of \_\_\_\_\_, 201\_\_\_\_.

“CRESTCOM”

Crestcom International, LLC,  
a Delaware limited liability company

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

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

Date: \_\_\_\_\_

“COMPANY”

\_\_\_\_\_  
a \_\_\_\_\_

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

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

Date: \_\_\_\_\_

“RECIPIENT”

\_\_\_\_\_  
Name: \_\_\_\_\_

Date: \_\_\_\_\_

**INDIANA RIDER TO THE  
CRESTCOM INTERNATIONAL, LLC  
NONDISCLOSURE AND NONCOMPETITION AGREEMENT  
BETWEEN CRESTCOM INTERNATIONAL, LLC  
AND \_\_\_\_\_  
DATED \_\_\_\_\_**

1. **Section 5** is reduced in scope to apply only to the Assigned Area or Development Area of Company.
2. **Section 17** is deleted and replaced with the following language:
  17. **Governing Law.** Except to the extent governed by the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law, this Agreement shall be governed as to validity, interpretation, construction, effect and in all other respects by the laws and decisions of the State of Colorado.

“CRESTCOM”

Crestcom International, LLC,  
a Delaware Limited Liability Company

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

“COMPANY”

\_\_\_\_\_  
a \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_

“RECIPIENT”

\_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

**ATTACHMENT D**

**FORM OF PROMISSORY NOTE**



## PROMISSORY NOTE

\$ \_\_\_\_\_, 201\_\_

\_\_\_\_\_ (“Maker”) promises to pay to the order of Crestcom International, LLC, a Delaware limited liability company, located at 6900 East Belleview Avenue, Suite 100, Greenwood Village, Colorado USA 80111 (“Holder”), the sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) with interest at \_\_\_\_\_ percent (\_\_\_%) per annum on the following terms and conditions:

**1. Payments.** This Note is payable in \_\_\_\_\_ (\_\_\_\_) consecutive monthly installments in the amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) each, payable on the \_\_\_\_ day of each month commencing on \_\_\_\_\_.

**2. Place of Payment.** This Note is payable at 6900 East Belleview Avenue, Suite 100, Greenwood Village, Colorado USA 80111, or at such other place as the Holder may designate in writing.

**3. Prepayment.** Maker may prepay all or any part of this Note at any time and from time to time without penalty.

**4. Acceleration.** It is agreed that the failure to make any payment when due shall cause the entire unpaid balance of this Note to become due at once, at the option of Holder of the Note.

**5. Waiver.** The Maker waives presentment for payment, protest and notice of protest and agrees that any extension of time of payment due under this Note shall not affect Maker’s liability hereunder. No waiver by the Holder of this Note of any payment or right under this Note shall operate as a waiver of any other payment or right under this Note. If there are multiple parties who are the Maker under this Note, then this Note is the joint and several obligation of each of them, and is binding on each of them, their executors, administrators, successors and assigns. Each Maker further waives all duty or obligation of Holder to effect, protect, perfect, retain or enforce any security for payment of this Note. Each Maker further agrees that at any time without notice the terms of payment herein may be modified by agreement between Holder and any of the Makers. Holder may release any of the Makers without in any way affecting the liability of any of the other Makers with respect to any indebtedness evidenced hereby.

**6. Default.** If default occurs in the payment when due of any installment payment, or part thereof, due upon this Note, then if not cured within ten (10) days after delivery of written notice of such default, the entire remaining principal balance together with all accrued and unpaid interest shall become immediately due and payable, without further notice, at the option of Holder. If any payment of principal is not made on the due date hereof, then all accrued and unpaid interest shall be added to the remaining principal balance of this Note, which collectively shall bear interest at a default rate of \_\_\_\_\_ percent (\_\_\_%) per annum. This same default rate shall apply as the post-judgment interest rate, regardless of the applicable statutory rate, in the event of any legal accounts or proceedings related to this Note. In the event of default, the Holder shall be entitled to declare all amounts due under this Note immediately due and payable and shall be entitled to exercise any and all rights in the security as permitted by law.

7. **Collection Costs.** Maker agrees to pay all costs and expenses, including reasonable attorneys' fees paid or incurred by the Holder in enforcing this Note in the event of default by Maker.

8. **Setoffs.** This Note shall not be subject to any right of setoff claimed by the Maker or any person assuming the obligations of Maker herein, which right of setoff is hereby expressly waived. Holder shall have the right to apply any amounts that Holder owes Maker toward the amount owed under this Note.

9. **Jurisdiction.** All accounts and proceedings in any way arising out of, related to, or connected with this Note brought by Holder against Maker shall be, at Holder's sole option, either (i) litigated in courts located in the City and County of Denver, Colorado, and Maker submits to the personal jurisdiction of such courts, or (ii) arbitrated before the Denver, Colorado, U.S.A. office of either the Judicial Arbitrator Group or the American Arbitration Association, as selected by Holder, and Maker agrees to submit to binding arbitration before one arbitrator. **MAKER WAIVES ITS RIGHTS TO A TRIAL BY JURY IN ANY SUCH ACTION.**

10. **Governing Law.** This Note shall be governed as to validity, interpretation, construction, effect and in all other respects by the laws and decisions of the State of Colorado.

11. **Modification.** This Note may not be changed orally, but only by an agreement in writing signed by the parties against whom enforcement of any waiver, change, modification or discharge is sought.

**MAKER:**

---

**INDIANA RIDER TO  
PROMISSORY NOTE**

All Promissory Notes made by franchisees operating franchises in the State of Indiana will be revised to replace **Section 10** with the following **Section 10**:

**Governing Law.** Except to the extent governed by the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law, this Note shall be governed as to validity, interpretation, construction, effect and in all other respects by the laws and decisions of the State of Colorado.

**ATTACHMENT E**

**PROFESSIONAL SALES REPRESENTATIVE PROGRAM RIDER  
TO FRANCHISE AGREEMENT**

**PROFESSIONAL SALES REPRESENTATIVE PROGRAM RIDER  
TO FRANCHISE AGREEMENT**

THIS PROFESSIONAL SALES REPRESENTATIVE PROGRAM RIDER TO FRANCHISE AGREEMENT (the “**Rider**”) modifies and amends that certain Franchise Agreement (the “**Franchise Agreement**”) by and between Crestcom International, LLC, hereinafter “**Crestcom**” and the undersigned franchisee, hereinafter “**Franchisee**.”

**RECITALS**

A. Crestcom is engaged in the business of operating and selling franchises and distributorships for the operation of sales and management training businesses (“**CRESTCOM Businesses**”), associated with the marks “**CRESTCOM**®” and “**CRESTCOM-TRAINERS TO THE WORLD**®” and utilizing copyrighted videotapes and other materials (“**Materials**”) and live instruction programs (“**Programs**”) to conduct specialized live in-person instruction seminars (“**Live Instruction**”).

B. Franchisee is a franchisee of Crestcom who has been granted the right to operate a CRESTCOM Business in the territory identified in the Franchise Agreement (referred to in the Franchise Agreement and herein as the “**Assigned Area**”).

C. In regions where multiple franchisees share the same assigned area, or in areas where multiple franchisees otherwise market the Materials in close proximity to each other, those franchisees may operate in limited, semi-exclusive protected territories within their assigned areas called “**Principal Marketing Areas**” or individually, a “**PMA**.” Franchisee may have its own PMA assigned to it.

D. The Franchise Agreement grants Franchisee the right to retain up to two salespersons (a “**Salesperson**”) who may market the Materials, Programs and Live Instruction on behalf of Franchisee.

E. Crestcom has created a new Professional Sales Representative Program (the “**PSR Program**”), which is a new support program offered by Crestcom to assist franchisees and licensees of Crestcom to increase their sales results by retaining the services of Professional Sales Representatives (each, a “**PSR**,” or more than one, the “**PSRs**”).

F. Crestcom and Franchisee desire to enter into this Rider to modify the Franchise Agreement to permit Franchisee to participate in the PSR Program.

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Crestcom and Franchisee, intending to be legally bound, agree as follows:

1. Franchisee is hereby granted the right to participate in the PSR Program subject to the terms and conditions set forth in this Rider and in the Procedures Manual.

2. Franchisee will be responsible for recruiting its own PSRs, who must be screened and approved by Crestcom for admittance into the PSR Program.

3. To assist Franchisee with locating and recruiting PSRs, Crestcom will include a feature on its website for “employment opportunities,” or a similar feature. Crestcom will also make efforts to promote the PSR Program on its other various social media sites, although its failure to do so shall not

give Franchisee any claims or rights against Crestcom. If and when a PSR candidate lead is received by Crestcom from a person located in or near Franchisee's Assigned Area, Crestcom will notify Franchisee of such lead.

4. Franchisee can also seek PSR service providers through its own networking and local advertising, subject to the advertising guidelines and requirements set forth in the Franchise Agreement and the Procedures Manual.

5. Each PSR retained in any manner by Franchisee shall count as one of the two Salespersons permitted by Franchisee to engage pursuant to the Franchise Agreement. A PSR may only concentrate its Marketing of the Materials and its Marketing and conducting of Live Instruction within Franchisee's Assigned Area or PMA, as is applicable to Franchisee.

6. PSRs will not be the employees, franchisees, agents, or representatives of Crestcom in any manner. All PSRs shall be either employees or independent contractors of Franchisee. Franchisee is solely responsible for determining the laws in Franchisee's Assigned Area or PMA related to employee versus independent contractor status of its PSRs.

7. Prior to admittance of a PSR candidate to the PSR Program, and to increase the likelihood of success of a PSR candidate, all PSR candidates must agree to undertake the Winslow Profile assessment offered and conducted by Management Development Institute ("MDI"). Notwithstanding the foregoing, neither Crestcom nor MDI makes any guaranties or promises that candidates who do well on the Winslow Profile assessment will achieve the goals of Franchisee, and Franchisee agrees to release and indemnify Crestcom and MDI against any claims that any candidate employed or retained by Franchisee fails to achieve the results sought by Franchisee.

8. Any PSR candidate who is not deemed suitable after completing the Winslow Profile assessment will not be permitted to participate in the PSR Program. Franchisee may, in its sole discretion, retain such candidate as a Salesperson, if Franchisee has an available Salesperson position, but Crestcom shall not be required to provide the assistance and support set forth in this Rider for such Salesperson.

9. Franchisee shall complete and submit an enrollment form for MDI in the form attached as Exhibit I hereto and pay a one-time initial set up charge of \$37 to MDI to be able to use the Winslow Profile assessment program. In addition, Franchisee shall pay MDI the cost of each profile, which is currently \$179 per profile. MDI may increase the set up charge and/or the profile assessment fee in its discretion. Failure of Franchisee to abide by the terms of its agreement with MDI shall constitute a default under the Franchise Agreement. Crestcom agrees to reimburse Franchisee one half of the cost of each profile up to a maximum of six assessments per year.

10. In addition to the support set forth above, Crestcom may offer Franchisee specific training on the PSR Program, which may be offered through webinars, at regional meetings or international conventions, or at such other times and places as Crestcom shall determine. Additional terms regarding this training may be set forth in the Procedures Manual.

11. Crestcom agrees that the Distribution Fee payable by Franchisee to Crestcom based on Franchisee's Gross Revenues generated solely from or through Franchisee's PSR efforts shall be reduced to 24 percent of the applicable Gross Revenues (versus a Distribution Fee of 34 percent of Franchisee's Gross Revenues generated from or through Franchisee's own efforts or through the efforts of other Salespersons); provided Franchisee complies with the following:

a. Franchisee must generate, on average over each calendar quarter, monthly Gross Revenues, separate from those of its PSRs, of at least the greater of (i) the average amount of Gross Revenues Franchisee generated over each calendar quarter during the 12 full calendar months prior to the execution of this Rider, or (ii) the Gross Revenues necessary to meet the Minimum Monthly Requirement set forth in the Franchise Agreement. In the event Franchisee is not in compliance with this subpart Section 11.a, then all Gross Revenues generated by Franchisee's PSR shall be allocated to Franchisee, with Distribution Fees paid at the rate of 34 percent, until such allocated Gross Revenues puts Franchisee in compliance with this subpart.

b. Franchisee shall not commingle its own sales or any of its Gross Revenues with those sales or Gross Revenues generated by any of its PSRs.

c. Franchisee shall report its own sales and its PSRs' sales separately on such forms and in such format as Crestcom shall require.

d. Franchisee shall not otherwise be in default of the Franchise Agreement; and

e. All other fees set forth in the Franchise Agreement due from Franchisee to Crestcom based on its Gross Revenues shall also apply to all Gross Revenues generated by Franchisee's PSRs.

12. In the event it is discovered that Franchisee has comingled any sales or Gross Revenues generated by Franchisee's own efforts or by the efforts of any Salesperson of Franchisee who is not a PSR, with those sales or Gross Revenues of a PSR of Franchisee, then Crestcom shall have the right to declare the Franchise Agreement in default without the opportunity to cure, and Franchisee shall be obligated to pay Crestcom Distribution Fees equal to 34 percent of all Gross Revenues from all sales related to Franchisee's CRESTCOM Business, including those sales generated by all of its PSRs.

13. Franchisee agrees that the PSR Program is subject to such additional terms and conditions as may be set forth in the Procedures Manual, which may be modified in Crestcom's sole discretion. The Procedures Manual may also modify the terms of this Rider as they related to the PSR Program. Further, the PSR Program may be terminated by Crestcom in its sole discretion.

14. This Rider may be terminated by either party hereto upon not less than 30 days written notice to the other. This Section 14 shall not affect Crestcom's ability to terminate the PSR Program in accordance with Section 13 above.

15. All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Franchise Agreement. The dispute resolution provisions of the Franchise Agreement are incorporated herein as if fully set forth in this Rider. To the extent the terms of this Rider conflict with the terms of the Franchise Agreement, the terms of this Rider shall prevail. Except as specifically set forth in this Rider, the terms of the Franchise Agreement are hereby reconfirmed, ratified and restated. This Rider may be executed in counterparts. Facsimile signatures shall be deemed originals for all purposes.

The parties have signed this Rider as of the last date set forth below.

**CRESTCOM:**

**CRESTCOM INTERNATIONAL, LLC**

Date: \_\_\_\_\_

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

Title: \_\_\_\_\_

**FRANCHISEE:**

Date: \_\_\_\_\_

\_\_\_\_\_

Individually

OR:

(if a corporation, partnership  
or other business entity)

\_\_\_\_\_

Company Name

Date: \_\_\_\_\_

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

Title: \_\_\_\_\_



**EXHIBIT I**

**TO PROFESSIONAL SALES REPRESENTATIVE PROGRAM RIDER**

# WINSLOW PROFILE – NEW CLIENT ENROLLMENT FORM

## Crestcom Professional Sales Representatives

Crestcom Licensee's Name	Business Name	
Street Address	City	State/Province
	Country	Zip/Postal Code
Primary Phone Number	Secondary Phone Number	
Email address		

**NEW ENROLLMENT (includes 2 Profile Passwords) .....\$ 395**

**Additional Profiles : \_\_\_\_\_ @ \$179 each**

### **METHOD OF PAYMENT**

Name on Card:		
Card #:	Expiration Date	/
Signature	CCV#	

Send completed form to Dan Goliger, COO - [dan.goliger@crestcom.com](mailto:dan.goliger@crestcom.com)

For issues, contact Management Development Institute  
[eric@mdiworld.com](mailto:eric@mdiworld.com)

The charge on your credit card statement will read "Winslow Research Institute"

**FORM OF SUCCESSOR FRANCHISE RIDER  
TO FRANCHISE AGREEMENT**

**FORM OF SUCCESSOR FRANCHISE RIDER  
TO FRANCHISE AGREEMENT**

CRESTCOM INTERNATIONAL, LLC (“Crestcom”) and the undersigned franchisee (“Franchisee”) entered into a certain Crestcom Franchise Agreement (“Agreement”) contemporaneously herewith, and desire to supplement and amend certain terms and conditions of such Agreement by this Successor Franchise Rider to Franchise Agreement (“Rider”). The parties therefore agree as follows:

1. **Initial Franchise Fee.** Section 4.1 of the Agreement and Paragraph 3 of the Addendum to Franchise Agreement (“Addendum”) are deleted in their entirety, with the following substituted in their place:

**Successor Franchise Fee.** Franchisee will pay to Crestcom a successor franchise fee, due and payable upon the execution of this Rider, as follows:

\$\_\_\_\_\_.

2. **Initial Training Program.** Section 5.1 of the Agreement is deleted in its entirety. Notwithstanding the foregoing, the definition of “Principal Representative,” as provided in Section 5.1, shall remain effective and have the meaning set forth therein.

3. **Initial Materials.** Section 6.1 and Exhibit II of the Agreement are deleted in their entirety. Franchisee specifically acknowledges that it is not entitled to the Fast Start Kit, any initial Materials, or any credit for the purchase of products and materials from Crestcom as a result of the exercise of this successor franchise.

4. **Commencement of Operations.** Section 6.6 of the Agreement is deleted in its entirety.

5. **Active Operations.** The first sentence of Section 6.7 is deleted, with the following substituted in its place:

Franchisee must actively promote and maintain its CRESTCOM Business.

6. **Development Assistance.** Article 7 of the Agreement is deleted in its entirety. Franchisee acknowledges that it has previously received the development assistance set forth in Article 7, including in particular, access to Crestcom’s Procedures Manual.

7. **Access to New Materials Upon Exercise of Successor Franchise.** If Franchisee has not acquired Materials that are available on the date of this Rider, by paying an introductory surcharge under Franchisee’s prior Franchise Agreement, then Franchisee shall pay to Crestcom the New Materials Surcharge set forth in Section 10.2 of the Agreement for all such Materials which are available as of the date of this Rider as a condition to Crestcom’s execution of this Rider. Section 10.2 of the Agreement shall remain in full force and effect.

8. **Minimum Monthly Requirement.** Section 11.7 is hereby deleted in its entirety with the following substituted in its place:

Franchisee must average Gross Revenues on a monthly basis over each calendar quarter equal to the dollar amount that would be realized from at least two

attendees of The BULLET PROOF Manager training program paying Crestcom's then suggested U.S. minimum retail price ("**Minimum Monthly Requirement**"). Sales of Materials made by Salespersons directly employed by Franchisee shall be credited toward Franchisee's Gross Revenues for purposes of determining if Franchisee has satisfied its Minimum Monthly Requirement. If during any calendar quarter Franchisee fails to, on average, meet the Minimum Monthly Requirement, then (i) Franchisee shall immediately after the end of the applicable calendar quarter pay Crestcom the difference between the Distribution Fees and Royalty Fees applicable to the Minimum Monthly Requirement (the "**Minimum Monthly Fees**") for the three months of that calendar quarter and the actual Distribution Fees and Royalty Fees paid to Crestcom by Franchisee during that calendar quarter (which difference shall be referred to as the "**Initial Quarter MMR Fee**"), and (ii) starting the next month and continuing each month thereafter, Franchisee must pay Crestcom the greater of the Minimum Monthly Fees or the actual Distribution Fees and Royalty Fees due for that month. Once the Minimum Monthly Requirement is commenced, if the total Distribution Fees and Royalty Fees which are actually paid by Franchisee during any month do not equal or exceed the Minimum Monthly Fees for that month, on or before the last working day of that month Franchisee will pay Crestcom the difference between the Minimum Monthly Fees and the amount actually paid (the "**Ongoing Monthly MMR Fee**," and together with the Initial Quarter MMR Fee, the "**MMR Fees**"). Once paid, Crestcom will credit the MMR Fees against any Distribution Fees and Royalty Fees owed by Franchisee in any subsequent month to the extent that the fees owed in that month exceed the Minimum Monthly Fees due Crestcom for that month. Franchisee acknowledges that Crestcom has earned the MMR Fees upon receipt thereof and that other than Franchisee's right to have the MMR Fees applied as a credit as described in this Section, the MMR Fees are nonrefundable to Franchisee once they are paid unless Crestcom determines, in its sole discretion based on all circumstances surrounding Franchisee's failure to reach the Minimum Monthly Requirement, that refunding all or a portion of the MMR Fees is equitable. If Franchisee fails to pay at least the Minimum Monthly Fees in any month during the remainder of the term of this Agreement, Franchisee will be in default of this Agreement and Crestcom may, in its sole discretion, terminate this Agreement. Crestcom has the right, in its sole discretion and on a case-by-case basis, to waive the obligation of Franchisee or any other franchisee of Crestcom to meet the Minimum Monthly Requirement or pay the MMR Fees in any month. A waiver of this requirement by Crestcom for any other franchisee will not in any way affect Franchisee's obligation to meet the Minimum Monthly Requirement or pay the MMR Fees in accordance with this Section.

**9. Transferee Training Fee and Transfer Fee.** The Transferee Training Fee referenced in **Section 15.2.c** shall be \$\_\_\_\_\_, and the Transfer Fee referenced in **Section 15.2.g** of the Agreement and set forth in the Addendum shall be \$\_\_\_\_\_.

**10. Term.** **Section 16.1** is hereby deleted in its entirety with the following substituted in its place:

**Successor Franchise Term.** The term of this Agreement shall commence on \_\_\_\_\_, 201\_\_ (the "**Commencement Date**"), and is for a period of seven years from the Commencement Date, unless sooner terminated as provided herein.

**11. Rights Upon Expiration.** Section 16.3 is hereby modified as follows (check the appropriate box):

The header sentence of **Section 16.3** is hereby deleted in its entirety with the following substituted in its place:

At the end of the term hereof, provided Franchisee is not in default hereunder either at the time of notice of exercise of its successor franchise rights or at the time of the grant of successor franchise rights, Franchisee will have the option to obtain a successor franchise for one additional term of seven years, by acquiring successor franchise rights, unless Crestcom declines to offer a successor franchise in accordance with **Section 16.5** below, provided that Franchisee:

**Section 16.3** is hereby deleted in its entirety with the following substituted in its place:

At the end of the term hereof, Franchisee shall have no option to obtain a successor franchise, and this Agreement shall expire.

**12. Successor Franchise Fee.** The Successor Franchise Fee referenced in **Section 16.3.e** of the Agreement and set forth in the Addendum shall be \$\_\_\_\_\_.

**13. Release.** Franchisee for itself, its successors, assigns, agents and representatives, hereby fully and forever unconditionally releases and discharges Crestcom and its successors, assigns, agents, representatives, employees, officers and directors (collectively referred to as “**Crestcom Affiliates**”) from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever, in law or in equity, whether known or unknown to it, which it may now have against Crestcom or the Crestcom Affiliates, or which may hereafter be discovered, in connection with, as a result of, or in any way arising from, any relationship or transaction with Crestcom or the Crestcom Affiliates, however characterized or described, from the beginning of time until the date of this Rider.

**14. Effectiveness of Agreement.** The terms and conditions of this Rider are in addition to or in explanation of the existing terms and conditions of the Agreement and shall prevail over and supersede any inconsistent terms and conditions thereof.

*[SIGNATURES APPEAR ON FOLLOWING PAGE]*

Fully executed this \_\_\_\_ day of \_\_\_\_\_, 201\_\_.

**CRESTCOM:**

**CRESTCOM INTERNATIONAL, LLC**

Date: \_\_\_\_\_

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

Title: \_\_\_\_\_

**FRANCHISEE:**

Date: \_\_\_\_\_

\_\_\_\_\_

Individually

**OR:**

(if a corporation, partnership  
or other business entity)

\_\_\_\_\_

Company Name

Date: \_\_\_\_\_

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

Title: \_\_\_\_\_

**ATTACHMENT G**

**CURRENT FORM OF GENERAL RELEASE**



**THE FOLLOWING FORM OF GENERAL RELEASE AGREEMENT IS A SAMPLE OF OUR CURRENT FORM OF GENERAL RELEASE AGREEMENT. THIS AGREEMENT IS OFTEN MODIFIED TO CONFORM TO THE FACTS SURROUNDING THE EVENT OR INCORPORATED INTO A LARGER AGREEMENT WHICH MORE PRECISELY ADDRESSES THE EVENT. WE MAKE NO REPRESENTATION OR GUARANTY THAT THE GENERAL RELEASE AGREEMENT YOU MAY BE REQUIRED TO SIGN WILL BE IDENTICAL TO THE GENERAL RELEASE AGREEMENT SET FORTH BELOW.**

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### **GENERAL RELEASE AGREEMENT**

THIS GENERAL RELEASE AGREEMENT (this "Agreement") is made as of \_\_\_\_\_, 201\_\_\_\_ by and between CRESTCOM INTERNATIONAL, LLC, a Delaware limited liability company ("Crestcom") and \_\_\_\_\_, a(n) \_\_\_\_\_ ("Franchisee").

#### **RECITALS**

- A. Crestcom and Franchisee entered into that certain Franchise Agreement or Area Development Agreement dated \_\_\_\_\_, 201\_\_\_\_, (the "Franchise Agreement").
- B. Franchisee desires to \_\_\_\_\_ its rights and obligations under Franchise Agreement.
- C. As a condition to the \_\_\_\_\_ of Franchisee's rights and obligations under the Franchise Agreement, Crestcom requires Franchisee to execute this Agreement.

#### **AGREEMENT**

NOW, THEREFORE, in consideration of the terms and conditions set forth below, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Release. Franchisee, for itself, its principals, owners, directors, officers, employees, heirs, assigns, agents and representatives, fully and forever unconditionally releases and discharges Crestcom, and its shareholders, directors, officers, employees, successors, assigns, agents and representatives (collectively referred to as "Crestcom Affiliates") from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever, in law or in equity, whether known or unknown to it, which it may now have against Crestcom or the Crestcom Affiliates, or which it may discover hereafter, in connection with, as a result of, or in any way arising from, any relationship or transaction with Crestcom or the Crestcom Affiliates, however characterized or described, from the beginning of time until the date of this Agreement.

2. Notice. Any notice, request, demand, statement or consent made under this Agreement shall be in writing and shall be personally delivered or sent by registered or certified mail, return receipt requested, and shall be deemed given when personally delivered or three days after deposit in the United States Mail, postage prepaid, and properly addressed to the other party at its address as set forth below. Each party may designate a change of address by notice to the other party in accordance with this Section.

If to Franchisee:

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

If to Crestcom:

Crestcom International, LLC  
6900 East Belleview Avenue, Suite 100  
Greenwood Village, Colorado 80111

3. Colorado Laws. This Agreement shall be interpreted by the laws of the State of Colorado. Should any provision of this Agreement be found to violate the statutes or court decisions of the State of Colorado or of the United States, that provision shall be deemed to be amended to comply with and conform to such statutes or court decisions to affect the intent of the Parties.

4. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the successors, assigns, trustees, receivers, personal representatives, legatees and devisees of the parties.

5. Attorneys' Fees. Each party shall be responsible for paying its and his or her own costs and expenses incurred in the preparation of this Agreement. However, in the event of any litigation between the parties based upon an alleged breach or default in their respective obligations to be fulfilled pursuant to this Agreement, the prevailing party in the action shall be entitled to recover attorney's fees and court costs from the non-prevailing party(ies).

6. Entirety. This Agreement embodies the entire agreement and understanding between the parties and supersedes all prior agreements and understandings related to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

**CRESTCOM:**

**FRANCHISEE:**

CRESTCOM INTERNATIONAL, LLC,  
a Delaware Limited Liability Company

\_\_\_\_\_

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

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

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**ATTACHMENT H**

**LIST OF FRANCHISEES**

**LIST OF CRESTCOM FRANCHISEES**  
**December 31, 2013**

**UNITED STATES - 34**

**ALABAMA - 1**

**AMANDA & JOEL SMITH**  
4995 U.S. Hwy 278 East  
Cullman, Alabama 35055 USA  
256-339-2720

**ARIZONA - 1**

**JONATHAN WHISTMAN &  
KELLIE ZIMMET**  
24567 N 121<sup>st</sup> Place  
Scottsdale, Arizona 85255  
480-272-9999

**CALIFORNIA - 1**

**STANLEY J. LEVANDUSKI**  
505 Creekside Court  
Paso Robles, California 93446  
805-712-4156

**COLORADO - 1**

**JOHN MARK REEB**  
3305 Cranston Circle  
Highlands Ranch, Colorado 80126  
720-878-1378

**CONNECTICUT - 2**

**PAT MAJEWSKI (2 Franchises)**  
12 Mount Vernon Drive  
East Granby, Connecticut 06026  
860-651-0322

**FLORIDA - 3**

**DAVID STRATHMANN**  
11374 Tacito Creek Drive South  
Jacksonville, Florida 32223  
904-374-0199

**LARRY GILBERT**  
149 Mineola Circle,  
Palm Harbor, Florida 34683  
727-460-8911

**JAMES YOUNG**  
6023 Catlin Drive  
Tampa, FL 33647  
813-690-1023

**GEORGIA - 2**

**ROBERT MARRS**  
1688 Windsor Pkwy NE  
Atlanta, Georgia 30319  
408-656-1804

**THOMAS COMPTON MILLER  
ROPER JR.**

4400 Missendell Lane  
Peachtree Corners, Georgia 30091  
371-979-5989

**MARYLAND - 1**

**HARVEY KRAMER**  
1209 Edgevale Road  
Silver Spring, Maryland 20910-1612  
301-589-3532

**MASSACHUSETTS - 2**

**HEATHER ROSENFELD**  
29 Lincoln Circle  
Andover, Massachusetts 01810  
978-475-9755

**RICHARD HUTTNER**

104 Dahlia Drive  
Wayland, Massachusetts 01778  
617-794-4227

**MICHIGAN - 1**

**DAVID STANKS**  
8342 Brindlewood Court  
Clarkston, Michigan 48348  
484-356-7344

**MINNESOTA - 1**

**DOUGLAS DWIGHT  
MACLAUGHLIN**  
328 Burntside Drive  
Golden Valley, Minnesota, 55422  
612-408-7817

**MISSOURI - 1**

**PAUL & LINDA FITE**  
148 Dartmoore Drive  
Rogersville, Missouri 65742  
417-859-0418

**NEW JERSEY - 2**

**DAVID BROTMAN (2  
Franchises)**  
218 N. Second Avenue  
Highland Park, New Jersey 08904  
908-385-8045

**NORTH CAROLINA - 1**

**PETE LINDSAY**  
2887 Fleming Road  
Greensboro, North Carolina 27410  
336-644-9994

**OHIO - 2**

**DEBRA ASKINS**  
1587 Dale Ford Road,  
Delaware, Ohio 43015  
614- 581-3622

**BRUCE BIERSCHBACH**

6587 Miami Trails Drive  
Loveland, Ohio 45140  
513-520-1442

**OKLAHOMA - 1**

**RICHARD A. MYERS**  
4563 S. Jamestown Avenue  
Tulsa, Oklahoma 74135  
918-830-7015

**PENNSYLVANIA - 2**

**JOSE LUIS ELIZARRARAS  
AVIL**  
206 Briarwood Lane  
Cranberry TWP, Pennsylvania 16066  
724-487-4496

**ERIC DAVID**

56 Overlook Circle,  
Garnet Valley, Pennsylvania 19061  
484-483-7410

**TENNESSEE - 2**

**JENNIFER GOODRICH (2  
Franchises)**  
312 Creekshire Drive  
Signal Mountain, Tennessee 37377  
423-280-6604

**LIST OF CRESTCOM FRANCHISEES**  
**December 31, 2013**

**TEXAS - 2**

**PIUS LEUNG**

3911 Sweetglen Court  
Sugarland, Texas 77479  
713-922-6688

**AHMAD SAFI QUDSI**

1040 Scenic Orchard Lane  
Richmond, Texas 77407  
281-804-8632

**UTAH - 1**

**JOHN THOMAS NEEWAY**

13467 S. 1100 E.  
Draper, Utah 84020  
801-674-4611

**VIRGINIA - 3**

**ERVIS "BUDDY" HIATT**

2551 Brookstone Lane  
Richmond, Virginia 23233  
804-405-2551

**PATTI HAWKINS**

2416 Brasileno Drive  
Virginia Beach, Virginia 23456  
757-721-9578

**SAMUEL LIGHTFOOT, JR.**

13224 Oak Farm Drive  
Woodbridge, Virginia 22192  
703-498-7728

**WASHINGTON - 1**

**JOHN & PATRICIA HOGLUND**

6016 2<sup>nd</sup> Ave North West  
Seattle, Washington, 98107  
360-239-2005

**INTERNATIONAL - 152**

**AUSTRALIA - 1**

**JAMIE LORD**

Suite 5, Jubilee Lodge, 40 Jubilee  
Tc.  
PO Box 213 Ashgrove 4060  
Queensland, Australia  
+61-7-3103-2922

**AUSTRIA - 1**

**ANTON PURGSTALLER**

Hessegasse 32/31, 18  
1200 Wien, Austria  
+43-664-612-0072

**BARBADOS - 1**

**PETER DOWNES**

C/O Dennings (Trustees) Limited,  
P.O. Box 1639, Suite 104,  
97 Granby Steet, Kingstown,  
St Vincent, Barbados  
+246-431-0830

**BELGIUM - 2**

**NADINE GITS**

Leeuwerikenlaan 11, 1830  
Machelen, Belgium  
+32-2-253-33-01

**NADINE RAES**

Uilstraat 76  
3300 Sint-Margriete-Houtem  
(Tienen),  
Belgium  
+32-16-777-420

**BOSNIA & HERZEGOVINA  
- 2**

**MILOS TODOROVIC**

Slobodana Kusturica 18  
7800 Banja Luka; Republika Srpska  
Bosnia and Herzegovina  
+387-51-228-200

**ENES KAZAZIC**

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Bosnia and Herzegovina  
+387-61-190-601

**BOTSWANA - 1**

**KENNEDY MWEDZIWENDIRA**

Unit 7 Letlanya House, Plot 80  
Gaborone International Commerce  
Park, P.O. Box 81936  
Gaborone, Botswana  
+267-315-9114

**BRAZIL - 3**

**LUIZ PAUVOLID**

506 Bermuda Run  
Tega Cay, South Carolina, 29708  
803-818-0289

**CHRISTIAN AND MARCIA  
SCHOBESBERGER**

Rua Nilo Tordin, 515  
Cond. Faz. Sao Jose  
13278-141 Valinhos- SP  
+55 19 3881 2071

**CONNIE PASQUALI**

Shin Ca 01 -Lote A- Shopping Deck  
Norte  
Sala 420/CEP:  
71503-501, Brasilia of Brazil  
+55-61-3468-3344

**CAMEROON - 1**

**GABRIEL NGOLE**

P.O. Box 24218  
Douala, Cameroon  
+237-9994-9840

**CANADA - 14**

**DONALD ANDREW SHAY**

23 Wilkinson Place  
Leduc, Alberta,  
Canada T9E 8N1  
780-739-3323

**HANIF & NALISH LADHA**

36578 Auguston Parkway East,  
Abbotsford, BC,  
Canada V3G 3C6  
604-768-4901

**KEN STRILCHUK**

372, 440-10816 Macleod Trail S.  
Calgary, Alberta T2J 5N8 Canada  
403-278-4407

**HARVEY TAPHORN**

204 Citadel Park.  
Calgary, Alberta T3G 3X9 Canada  
403-241-6161

**LIST OF CRESTCOM FRANCHISEES**  
**December 31, 2013**

**MICHAEL LORENZ**

2913 Meadowvista Place  
Coquitlam, B.C. V3E 2R9 Canada  
604-468-0036

**MICHAEL LORENZ & BISHOP  
LORENZ**

2913 Meadowvista Place  
Coquitlam, B.C. V3E 2R9 Canada  
604-468-0036

**PATRICIA SKOGG**

Unit #119, 1083 Sunset Dr.  
Kelowna, British Columbia V1Y  
9Z1  
Canada  
250-868-0009

**TROY HOFFMAN**

RR#3, 8804 17th Sideroad Erin,  
Acton, Ontario,  
Canada, L7J 2L9  
519-855-6323

**WILLIAM MINER/  
ELIZABETH PITT**

284 Kenneth Avenue  
Kitchener, Ontario  
N2A - 1W6 Canada  
519-894-6938

**MICHAEL PINTO**

2230 Stillmeadow Road  
Mississauga, Ontario L5B 1X4  
Canada  
289-232-1308

**MICHAEL GIBSON**

1538 Stoneybrook Trail  
Oakville, Ontario L6M2R3 Canada  
416-428-4519

**PETER & VIRGINIA  
HAMILTON**

43-2460 Prince Michael Drive  
Oakville, Ontario L6H 0G8  
Canada  
905-808-5156

**MICHAEL CRAIG**

193 Lisa Marie Drive  
Orangeville, Ontario, Canada L9W  
4P7  
519-940-0030

**ESTELLE MILLER**

4480 Cote de Liesse, Suite 260  
Ville Mont-Royal, Quebec  
H4N 2R1 Canada  
514-342-1225

**CHILE - 1**

**ALFONSO**

**CONTRERAS ORTIZ**  
Echeñique 6300 Dept. 804- A La  
Reina, Santiago, Chile  
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**CHINA - 1**

**ANNA QU & DOUG PEARCE**

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9 Queens Road  
Central Hong Kong  
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**COLOMBIA - 1**

**ANDRES BEJARANO,  
CONSTANZA DIEZ & HUGO  
CHVATAL**

Calle 7<sup>a</sup> # 32 D 13  
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+57-43-191-650

**COSTA RICA - 1**

**MARIELOS ALDI**

Rohrmoser 350 metros norte  
y 75 oeste, Del Cenat  
San Jose, Costa Rica  
+506-2291-3100

**COTE D'IVOIRE - 1**

**CLEMENTINE KAKE-MENSAH**

Residence SIPIM, Villa 204  
Port-Bouët, Abidjan,  
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+225-5566-8891

**ECUADOR - 1**

**MARCELO BUENO**

Desarrollo de Talentos Efectivos  
Adilework Cia Ltda  
La Pradera E7-133  
y San Salvador, esquina  
Quito, Ecuador  
+5932-600-1368

**ENGLAND (UNITED  
KINGDOM) - 6**

**IAN BAINES**

2 Eslington Terrace, Jesmond,  
Newcastle upon Tyne, NE2 4RJ  
United Kingdom  
+44-797-456-5620

**JERRY BERNSTEIN**

6 Middlesmoor,  
Wilnecote, Tamworth,  
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**FIONA BISHOP**

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**MARTIN CRAVEN**

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**JULIAN MCINERNEY**

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**SHELLEY THOMAS &  
DAVID PHILLIP PRYKE**

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+44-7545-940-175

**LIST OF CRESTCOM FRANCHISEES**  
**December 31, 2013**

**FRANCE - 9**

**HERVE GENEVOIS**  
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+33-1-60-39-5814

**NATHALIE COLLONGES**  
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**VINCENT FABRE**  
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**CHARLES MULLENDERS**  
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+33-6-14-70-50-16

**SYLVIE SOU**  
54 Rue de la petite Cabane  
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**PASCAL & SANDRINE  
TREMBLAY (2 Franchises)**  
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06250 Mougins Le Haut, France  
+33-6-86-22-6930

**DAVID VIDOR**  
4 Rue Estienne D'Orves  
92110 Clinchy France  
+06-52-066-780

**GERMANY - 29**

**JOACHIM SCHULZ**  
Habichtswaldweg 1-3  
D-64546 Morfelden-Walldorf,  
Germany  
+49-6105-4098-15

**ANDREAS BERWING**  
Senator-Hilmer Str. 3  
D-31303 Burgdorf, Germany  
+49-5136-892-278

**CHRISTIAN BORCHERT**  
Finkenweg 4, 91094  
Langensendelbach, Germany  
+49-172-620-6869

**AXEL BURLAGE**  
Sandweg 23a  
D-22848 Norderstedt, Germany  
+49-40-248-66-512)

**GERNOLD DATHE & KIRSTEN  
SOMMER**  
Brinkstraße 12  
D-38122 Braunschweig, Germany  
+49-171-301-6330

**UWE DIETZ**  
Niederhofheimer Str. 6,  
D-65812 Bad Soden, Germany  
+49-178-9339-918

**MARTIN EILTING**  
Dockenschlag 15,  
D-48432 Rheine, Germany  
+49-5971-15025

**FRANK GROSCH**  
Kastanienstr. 26  
D-71364 Winnenden, Germany  
+49-7195-1377-996

**MATTHIAS HETZEL**  
Furkhofstrasse 19, 81927  
Muchen, Germany  
+49-176-4838-2576)

**JÖRN HIMSTEDT**  
Fedlstr  
D-42555 Velbert, Germany  
+49-171-9991-230

**HARTMUT HORST**  
Bei den Schlehen 2  
D-38855 Wernigerode, Germany  
+49-175-936-1436)

**FRANZ KAMMLER**  
Tulpenstr  
11, D-82272 Moorenweis, Germany  
+49-172-830-4205

**PAUL KRATZ**  
Wacholderstr. 15  
D-40764 Langenfeld, Germany  
+49-177-868-0990

**BERNHARD KÜHNER**  
Schießmauer 20  
D-75433 Maulbronn Germany  
+49-176-8567-8220

**WOLFGANG MAHLER**  
Schwarzwaldstr. 75a,  
79183 Waldkirch, Germany  
+49-178-604-2567

**ARND MEYER-HERMENAU**  
Osterkamp 29e  
21217 Seevetal, Germany  
+49-177-323-7912

**NICO RAUCH**  
Mitterfeldweg 23a  
Raubling, Germany D-83064  
+49-176-7041-1069

**THOMAS REIHER**  
Wilhelmshavener Str  
D-90766 Furth, Germany  
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**LIST OF CRESTCOM FRANCHISEES**  
**December 31, 2013**

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**NARESH SHOTHAM AND**

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**December 31, 2013**

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**LIST OF CRESTCOM FRANCHISEES**  
**December 31, 2013**

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**December 31, 2013**

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1**

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**ATTACHMENT I**

**FRANCHISEES WHO HAVE LEFT THE SYSTEM**

**CRESTCOM FRANCHISEES  
WHO HAVE LEFT THE SYSTEM  
(January 1, 2013 – December 31, 2013)**

Listed below is the name and last known city, state and telephone number of every franchisee who has had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under their respective franchise agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document.

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

**UNITED STATES**

**ARIZONA – 1**

**BOB WEBER (Transfer)**  
Phoenix, AZ  
623-234-9220

**GEORGIA – 2**

**JEFF PETERSON**  
Atlanta, Georgia  
770-883-7744

**SCOTT CRAIGMILE**

Marietta, Georgia  
404-456-7219

**ILLINOIS – 1**

**LEON AND REBECCA LEAPER**  
Hawthorn Woods, Illinois  
301-461-2076

**MAINE – 1**

**BILL WINKLER**  
Fallmouth, Maine  
207-781-8788

**MARYLAND – 1**

**BOB SANNER**  
Powhatan, Virginia  
443-570-2484

**MINNESOTA – 1**

**BILL GILBERT**  
Springboro, Ohio  
937-748-8333

**NEW JERSEY – 1**

**EILEEN MORAN**  
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201-390-5633

**TENNESSEE - 1**

**LENA DARNELL AND EVELYN  
GAMMON**  
Carthage, Tennessee  
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**TEXAS – 1**

**SCOTT CRAIGMILE**  
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**CAMEROON - 1**

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**BERNHARD STRIEBEL**

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**ATTACHMENT J**

**FINANCIAL STATEMENTS**



**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**Greenwood Village, Colorado**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Period November 16, 2013 to December 31, 2013**

## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	1
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Consolidated Balance Sheet .....	2
Consolidated Statement of Operations .....	3
Consolidated Statement of Member's Equity .....	4
Consolidated Statement of Cash Flows .....	5
Notes to Consolidated Financial Statements .....	6



**CliftonLarsonAllen**

**INDEPENDENT AUDITORS' REPORT**

CliftonLarsonAllen LLP  
CLAconnect.com

Board of Directors and Member  
Crestcom International, LLC and subsidiary  
Greenwood Village, Colorado

We have audited the accompanying consolidated financial statements of Crestcom International, LLC and subsidiary, which comprise the consolidated balance sheet as of December 31, 2013 and the related consolidated statements of operations, member's equity, and cash flows for the period November 16, 2013 to December 31, 2013, and the related notes to the consolidated financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Crestcom International, LLC and subsidiary as of December 31, 2013, and the results of its operations and its cash flows for the period November 16, 2013 to December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

Denver, Colorado  
April 10, 2014



An independent member of Nexia International

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEET**  
December 31, 2013

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,368,548
Accounts receivable, net	644,843
Inventories	86,707
Prepaid expenses and other assets	<u>76,646</u>
Total current assets	<u>2,176,744</u>

**PROPERTY AND EQUIPMENT, NET**

71,192

**OTHER ASSETS**

Intangible assets, net	5,977,999
Deferred financing costs, net	346,569
Goodwill	<u>8,672,037</u>
Total other assets	<u>14,996,605</u>

**TOTAL ASSETS**

\$ 17,244,541

**LIABILITIES AND MEMBER'S EQUITY**

**CURRENT LIABILITIES**

Accounts payable	\$ 449,732
Deposits from customers	33,619
Current portion of long-term debt	571,429
Accrued bonuses	63,200
Accrued interest	<u>109,813</u>
Total current liabilities	<u>1,227,793</u>

**LONG-TERM LIABILITIES**

Term loan, net of current portion	3,380,952
Senior subordinated loan	7,500,000
Deferred rent	<u>37,146</u>
Total long-term liabilities	<u>10,918,098</u>

Total liabilities	12,145,891
-------------------	------------

**MEMBER'S EQUITY**

5,098,650

**TOTAL LIABILITIES AND MEMBER'S EQUITY**

\$ 17,244,541

The accompanying notes are an integral part of the consolidated financial statements.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the Period November 16, 2013 to December 31, 2013

<b>REVENUES</b>	
Franchise sales:	
Foreign	\$ 86,065
Royalties, fees and product sales:	
Foreign	508,822
Domestic	<u>159,856</u>
	<u>668,678</u>
 Total revenues	 <u>754,743</u>
 <b>COST OF REVENUES</b>	
Materials and commissions	143,693
Amortization	<u>33,376</u>
 Total cost of revenues	 <u>177,069</u>
 Gross profit	 <u>577,674</u>
 <b>OPERATING EXPENSES</b>	
General and administrative	479,710
Depreciation	<u>626</u>
 Total operating expenses	 <u>480,336</u>
 Income from operations	 <u>97,338</u>
 <b>OTHER INCOME (EXPENSE)</b>	
Interest income	2,114
Interest expense	(158,684)
Amortization	(86,387)
Foreign taxes	<u>(39,441)</u>
 Total other expense	 <u>(282,398)</u>
 <b>NET LOSS</b>	 <u>\$ (185,060)</u>

The accompanying notes are an integral part of the consolidated financial statements.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF MEMBER'S EQUITY  
For the Period November 16, 2013 to December 31, 2013**

	<u>Member's Equity</u>
<b>BALANCE, NOVEMBER 16, 2013 (prior to acquisition by Crestcom Holdings International, LLC)</b>	\$ -
Capitalization from applying push-down accounting	3,980,455
Member contributions	1,303,255
Net loss	<u>(185,060)</u>
<b>BALANCE, DECEMBER 31, 2013</b>	<u>\$ 5,098,650</u>

The accompanying notes are an integral part of the consolidated financial statements.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Period November 16, 2013 to December 31, 2013

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net loss	\$ (185,060)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization	120,389
Effects of changes in operating assets and liabilities:	
Accounts receivable	34,240
Prepaid expenses and other assets	(29,686)
Accounts payable	98,160
Deferred rent	3,596
Accrued bonuses	(549,245)
Accrued interest	<u>109,813</u>
Net cash used by operating activities	<u>(397,793)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of intangible assets	(61,961)
Purchases of property and equipment	<u>(36,241)</u>
Net cash used by investing activities	<u>(98,202)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Member contributions	1,303,255
Payments on long-term debt	<u>(47,619)</u>
Net cash provided by financing activities	<u>1,255,636</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	759,641
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>608,907</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 1,368,548</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>	
Cash paid for interest	<u>\$ 48,871</u>
Cash paid for foreign taxes	<u>\$ 39,441</u>

The accompanying notes are an integral part of the consolidated financial statements.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Operations**

Crestcom International, LLC (“Crestcom”) is located in Greenwood Village, Colorado. Crestcom produces and distributes video-based, live-facilitated training programs that are delivered to end-users by appointed franchisees located in numerous countries including the United States. Franchisees pay for the right to acquire franchises. In addition, Crestcom receives distribution fees and royalties as a percentage of revenues derived by franchisees from the sale or use of the materials.

Crestcom South Africa, Limited (“Crestcom SA”), a company formed under the laws of South Africa, is a wholly-owned subsidiary of Crestcom. Crestcom SA was formed to collect franchise fees and royalties from franchisees in South Africa. The accompanying consolidated financial statements include the accounts of Crestcom and Crestcom SA (collectively referred to as the “Company”). Crestcom SA is included in these consolidated financial statements under accounting principles generally accepted in the United States of America (“U.S. GAAP”). Intercompany transactions have been eliminated in consolidation.

The Company was previously owned by Crestcom Holdings, LLC. On November 15, 2013, after the close of business, Crestcom Holdings International, LLC (“Crestcom Holdings”) acquired 100% of the ownership interest of the Company at an initial cost of \$15,000,000 plus an estimated \$125,000 working capital adjustment. The Company has elected to apply push-down accounting to its financial statements in order to reflect the new basis of accounting in the assets and liabilities (including goodwill) as a result of the acquisition by Crestcom Holdings.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed and the resulting goodwill as a result of the acquisition by Crestcom Holdings:

Cash and cash equivalents	\$ 608,907
Accounts receivable	679,083
Inventories	86,707
Prepaid expenses	46,960
Property and equipment	35,577
Amortizable intangible assets	6,026,915
Goodwill	<u>8,672,037</u>
<b>Total assets acquired</b>	<b><u>16,156,186</u></b>
Accounts payable and accrued expenses	(964,017)
Deferred rent	(33,550)
Deposits from customers	<u>(33,619)</u>
<b>Total liabilities assumed</b>	<b><u>(1,031,186)</u></b>
<b>Net assets acquired</b>	<b><u>\$ 15,125,000</u></b>

The purchase consideration included interest bearing debt of \$11,500,000 for which the Company and Crestcom Holdings are jointly liable (see Note 3).



**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The acquired intangible assets of \$6,026,915 are comprised of franchise agreements, product development costs, and copyrights (see Note 2).

Goodwill is calculated as the excess of the purchase price paid over the net assets recognized. The goodwill of \$8,672,037 arising from the transaction represents intangible assets that do not qualify for separate recognition.

Acquisition related costs are recorded on the financial statements of Crestcom Holdings.

**Use of Estimates**

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 the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions relate to the valuation allowance for accounts receivable, intangible assets and goodwill. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

**Revenue Recognition**

The Company recognizes revenue from the sales of domestic franchises when all significant services related to the franchise sale have been substantially performed. Substantial performance is considered to have occurred when franchisees are provided with an initial supply of product, an operating policies handbook, training, and the franchise fee is considered collectible. The Company recognizes revenue from the sales of franchises to foreign franchisees on a cash basis due to the uncertainty of collection. At December 31, 2013, there were 186 franchises in the system (see Note 6).

The Company recognizes distribution fees and royalties as earned when the franchises report the associated revenue to the Company. The Company recognizes revenue associated with product sales when the product is shipped to the franchises.

In January 2013, the Company released version five of its Bullet Proof® Manager training program. Upon release of a new training program, franchisees are required to pay a material surcharge per the franchise agreement. For the period November 16, 2013 to December 31, 2013, the Company recognized revenue of \$9,600 in product surcharge fees which is included in product sales. The Company is in the process of translating the new training videos into additional languages and expects to have this completed during 2014.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Accounts receivable reflect amounts billed to franchisees, net of an allowance for doubtful accounts. The allowance for doubtful accounts is determined by management based on the Company's historical losses, specific customer circumstances, and general economic conditions. Periodically, management reviews its accounts receivable and adjusts the allowance based on current circumstances and charges-off uncollectible receivables when all attempts to collect have failed; collection efforts, however, may continue. The Company charges interest on past due amounts in accordance with franchise agreement terms. The Company may grant promissory notes to franchisees for the purchase of licenses. Payment terms are generally 12 months or less and are included in accounts receivable in the accompanying balance sheet.

**Inventories**

Inventories, which consist primarily of binders and accessories, are stated at the lower of cost (first-in, first-out method) or market.

**Property and Equipment**

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Office furniture is depreciated over 3 to 7 years. Depreciation expense for the period November 16, 2013 to December 31, 2013 was \$626. At December 31, 2013, office furniture had a cost of \$71,818.

Expenditures for major renewals and betterments, which extend the useful lives of property and equipment, are capitalized; expenditures for maintenance and repairs are charged to expense as incurred.

**Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment is recognized when the estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. An impairment is measured as the amount an asset's net book value exceeds its estimated fair value. The Company continually evaluates the carrying value and the remaining economic useful life of all long-lived assets and will adjust the carrying value and the related depreciation and amortization period if and when appropriate. The Company determined that no impairment loss needed to be recognized for property and equipment at December 31, 2013.

**Intangible Assets**

Intangible assets are recorded at cost. Product development costs consist primarily of costs to produce and translate audio and video training programs, including related training materials. Amortization of capitalized product development costs begins when the product is available for general release and marketing. Unamortized product development costs determined to be in

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

excess of net realizable value of the product is expensed immediately. Amortization of intangible assets is provided using the straight-line method over the following estimated useful lives:

Franchise agreements	7 years
Product development costs	5 years
Copyrights	5 years

Research and development costs for new products are charged to expense as incurred. However, the costs incurred for the development or translation of new audio and video training programs, including related training materials, that will be sold, leased, or otherwise marketed are capitalized when technological feasibility has been established. These capitalized costs are subject to an ongoing assessment of recoverability based on anticipated future revenues.

Intangible assets with estimable useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized when the estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. The Company continually evaluates the carrying value and the remaining economic useful life of all intangible assets and will adjust the carrying value and the related amortization period if and when appropriate. The Company would also vigorously defend any copyright infringement. The Company determined that no impairment loss needed to be recognized for the intangible assets at December 31, 2013.

**Goodwill**

Goodwill relates to the acquisition of the Company by Crestcom Holdings as described above and represents the excess of the purchase price of the acquired business over the fair value of the assets acquired and liabilities assumed. Goodwill is not amortized, but instead tested for impairment at least annually. Measurement of goodwill impairment is based on the excess of the carrying amount of the asset over the fair value calculated using discounted expected future cash flows. As a result of the impairment analysis, the Company concluded goodwill was not impaired as of December 31, 2013.

**Deferred Financing Costs**

Costs incurred with the issuance of long-term debt in conjunction with the acquisition of the Company by Crestcom Holdings are deferred and amortized over the term of the underlying note. During the period November 16, 2013 to December 31, 2013, the Company incurred \$355,455 in financing fees which were paid by Crestcom Holdings. Amortization related to these costs was \$8,886 for the period November 16, 2013 to December 31, 2013.

**Advertising Costs**

Advertising costs are expensed as incurred. The Company incurred \$26,369 in advertising costs for the period November 16, 2013 to December 31, 2013.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Shipping and Handling Costs**

Shipping and handling costs billed to customers represent the revenue earned for goods provided and have been classified as revenue and the related cost as cost of revenue. During the period November 16, 2013 to December 31, 2013, the Company incurred \$3,277 in shipping and handling costs.

**Interest Rate Swap**

The Company entered into an interest rate swap arrangement effective November 18, 2013. The swap arrangement effectively fixes the interest rate of the term loan at a rate of 5.16% until October 1, 2017 (see Note 3). The swap's initial notional amount is estimated to be \$4,000,000 and will be amortized over the term of the interest rate swap arrangement. The Company elected early adoption of *ASU 2014-03 Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps – Simplified Hedge Accounting Approach* issued by the Financial Accounting Standards Board. This new standard allows for the adoption of a simplified hedge accounting approach, under which interest rate swaps are accounted for at settlement value instead of fair value as required by traditional derivative accounting rules, and deemed to be effective hedges. The Company's purpose for entering into the interest rate swap agreement is to hedge against the risk of interest rate increases on its variable rate term loan. Management has determined that the settlement value of the interest rate swap at December 31, 2013 is not significant and therefore is not reflected in the accompanying consolidated financial statements.

**Income Taxes**

The Company is a limited liability company which is taxed as a partnership under the provisions of the Internal Revenue Code. Under those provisions, no income taxes are paid by the Company. Therefore, no provision or liability for income taxes has been included in the accompanying consolidated financial statements. Instead, the members are liable for income taxes on their pro rata share of the Company's income, deductions, losses and credits.

The Company is a single member limited liability company and is considered a disregarded entity for tax purposes. As a result, the Company does not file a federal or Colorado income tax return. The Company is a pass through entity for income tax purposes whereby any income tax liabilities or benefits are attributable to the Company's owner. Amounts paid by the Company for income taxes are accounted for as transactions with the Company's owner.

The Company is required to remit foreign taxes to certain countries based upon amounts received from its franchises in those countries.

**Subsequent Events**

Management evaluated subsequent events through April 10, 2014, the date the consolidated financial statements were available to be issued. Events or transactions occurring after December 31, 2013, but prior to April 10, 2014, that provided additional evidence about conditions that existed at December 31, 2013, have been recognized in the consolidated financial statements for the period November 16, 2013 to December 31, 2013. Events or transactions that provided evidence about conditions that did not exist at December 31, 2013, but arose before the consolidated financial statements were available to be issued, have not been recognized in the consolidated financial statements for the period November 16, 2013 to December 31, 2013.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2013

**NOTE 2 – INTANGIBLE ASSETS**

Intangible assets consist of the following:

	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Franchise agreements	\$ 4,606,000	\$ 75,000	\$ 4,531,000
Product development costs	1,387,176	33,376	1,353,800
Copyrights	<u>95,700</u>	<u>2,501</u>	<u>93,199</u>
<b>Total</b>	<b><u>\$ 6,088,876</u></b>	<b><u>\$ 110,877</u></b>	<b><u>\$ 5,977,999</u></b>

Total amortization expense for the period November 16, 2013 to December 31, 2013 was \$110,877 including \$33,376 related to product development costs which are included in cost of revenues. Aggregate amortization expense for the next five years subsequent to December 31, 2013 and thereafter is estimated as follows:

2014	\$ 954,476
2015	954,476
2016	954,476
2017	954,476
2018	918,473
Thereafter	<u>1,241,622</u>
<b>Total</b>	<b><u>\$ 5,977,999</u></b>

**NOTE 3 – LONG-TERM DEBT**

Long-term debt is comprised of the following:

Term loan	\$ 3,952,381
Senior subordinated loan	<u>7,500,000</u>
	11,452,381
Less current portion	<u>(571,429)</u>
<b>Long-term portion</b>	<b><u>\$ 10,880,952</u></b>

In connection with the acquisition discussed in Note 1, the Company and Crestcom Holdings entered into an agreement comprising a term loan, a revolving line of credit, and a letter of credit. The initial balance on the term loan was \$4,000,000 with payments of \$47,619 due monthly commencing December 1, 2013. The term loan is subject to an excess cash flow payment which requires the Company to pay up to 75% of excess cash flow as defined in the loan agreement. The interest rate on the term loan is equal to the bank's prime rate plus 1%, however, the Company entered into an interest rate swap arrangement on the term loan which provides for a fixed interest rate of 5.16% (see Note 1). The term loan matures on October 1, 2017 and is collateralized by substantially all assets of the Company and Crestcom Holdings.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 3 – LONG-TERM DEBT (CONTINUED)**

The available balance on the revolving line of credit is equal to the lesser of 75% of accounts receivable, measured quarterly, or \$500,000. Interest on outstanding balances is calculated at the bank's prime rate plus 0.25% and is payable monthly. The line of credit matures on November 15, 2015 and is collateralized by substantially all assets of the Company and Crestcom Holdings. The maximum amount available on the letter of credit is \$100,000. There were no amounts outstanding on the line of credit or letter of credit at December 31, 2013.

In connection with the acquisition, the Company and Crestcom Holdings entered into a senior subordinated term loan ("Senior Loan") for \$7,500,000 with a partial owner of Crestcom Holdings. Interest on the outstanding balance accrues at 12% payable monthly with an additional 1.5% which will continue to accrue and become payable upon maturity on November 15, 2018. Any prepayments of principal are subject to a prepayment fee ranging from 1% to 4% of the amount prepaid depending on the year of payment. The Senior Loan matures on October 1, 2017 and is collateralized by substantially all assets of the Company and Crestcom Holdings.

The Company is required to remain in compliance with certain loan covenants. At December 31, 2013, management believes the Company is in compliance with its covenants.

Future maturities of long-term debt are as follows for the years ending December 31:

2014	\$ 571,429
2015	571,429
2016	571,429
2017	571,429
2018	<u>9,166,665</u>
<b>Total</b>	<b><u>\$ 11,452,381</u></b>

**NOTE 4 – CONCENTRATIONS OF CREDIT RISK**

At certain times throughout the year, the Company had cash amounts in excess of the federally insured amounts. The Company believes it is not exposed to any significant credit risk on these deposits.

At December 31, 2013, one franchise comprised 15% of accounts receivable.

**NOTE 5 – RETIREMENT PLAN**

Effective January 1, 2011, employees who complete service requirements are eligible to participate in the Crestcom 401(k) Plan (the "Plan"). The Plan is a defined contribution plan in which eligible employees may elect to defer a portion of their salary. The Plan is a safe harbor plan in which employees are immediately fully vested in the employer contributions they receive. For the period November 16, 2013 to December 31, 2013, matching contributions were 100% of the eligible employee's deferral up to a maximum of 3% of each eligible employee's compensation, plus 50% of the eligible employee's deferral up to 5%. Total contributions charged to expense were \$6,323 for the period November 16, 2013 to December 31, 2013.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013**

**NOTE 6 – FRANCHISE INFORMATION**

The Company sells executive franchises for \$69,500 in the United States. Prices in foreign countries vary. There were 186 franchises at December 31, 2013, of which 26 are in the United States.

Changes in the number of franchises during the period November 16, 2013 to December 31, 2013 are as follows:

Franchises open at November 16, 2013	181
Opened during the period:	
Domestic	-
Foreign	5
Closed during the period:	
Domestic	-
Foreign	-
	<hr/>
Franchises open at December 31, 2013	<u>186</u>

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

**Office Lease**

The Company currently leases space for its headquarters in Greenwood Village, Colorado which expires in November 2018. The future minimum rental commitment under the lease agreement is as follows for the years ending December 31:

2014	\$ 91,292
2015	94,229
2016	97,166
2017	100,103
2018	<u>94,229</u>
<b>Total</b>	<b><u>\$ 477,019</u></b>

Rent expense under this lease was \$12,566 for the period November 16, 2013 to December 31, 2013.

**Management Fees**

The Company has a management service agreement with one of the owners of Crestcom Holdings that requires quarterly payments equal to the greater of \$50,000 or a percentage of a defined operating measure. In addition to the management fee, the Company pays a monthly corporate overhead rate of \$5,000. The agreement expires in November 2023 but may be terminated earlier according to the terms of the agreement.

Total management fees and overhead allocations paid for the period November 16, 2013 to December 31, 2013 were \$25,000 and \$7,500, respectively.

This information is an integral part of the accompanying consolidated financial statements.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**Greenwood Village, Colorado**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Period January 1, 2013 to November 15, 2013 and**  
**the Years Ended December 31, 2012 and 2011**



## TABLE OF CONTENTS

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Consolidated Balance Sheets .....	3
Consolidated Statements of Operations .....	4
Consolidated Statements of Member's Equity (Deficit) .....	5
Consolidated Statements of Cash Flows .....	6
Notes to Consolidated Financial Statements .....	8



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors and Member  
Crestcom International, LLC and subsidiary  
Greenwood Village, Colorado

We have audited the accompanying consolidated financial statements of Crestcom International, LLC and subsidiary, which comprise the consolidated balance sheet as of November 15, 2013 and the related consolidated statements of operations, member's equity (deficit), and cash flows for the period January 1, 2013 to November 15, 2013 and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Crestcom International, LLC and subsidiary as of November 15, 2013 and the results of its operations and its cash flows for the period January 1, 2013 to November 15, 2013 in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

The 2012 and 2011 consolidated financial statements of Crestcom International, LLC and subsidiary were audited by other auditors whose report, dated March 11, 2013, expressed an unmodified opinion on those statements.

*CliftonLarsonAllen LLP*

Denver, Colorado  
April 10, 2014

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
November 15, 2013 and  
December 31, 2012 and 2011

**ASSETS**

	<u>November 15,</u>	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 608,907	\$ 528,186	\$ 496,499
Accounts receivable, net	679,083	262,299	336,440
Inventories	86,707	110,055	179,088
Prepaid expenses	46,959	7,627	7,262
Notes receivable	-	-	18,138
Total current assets	<u>1,421,656</u>	<u>908,167</u>	<u>1,037,427</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>53,066</u>	<u>65,740</u>	<u>30,747</u>
<b>OTHER ASSETS</b>			
Deferred financing costs, net	-	82,682	180,026
Intangible assets, net	4,463,097	4,819,322	6,533,236
Goodwill	<u>5,398,484</u>	<u>5,398,484</u>	<u>5,398,484</u>
Total other assets	<u>9,861,581</u>	<u>10,300,488</u>	<u>12,111,746</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,336,303</u>	<u>\$ 11,274,395</u>	<u>\$ 13,179,920</u>

**LIABILITIES AND MEMBER'S EQUITY (DEFICIT)**

<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 351,572	\$ 318,042	\$ 438,570
Accrued bonuses	612,445	-	-
Deposits from customers	33,619	28,619	38,619
Accrued interest	19,287	-	-
Current portion of long-term debt	<u>10,202,617</u>	<u>1,400,000</u>	<u>1,400,000</u>
Total current liabilities	<u>11,219,540</u>	<u>1,746,661</u>	<u>1,877,189</u>
<b>LONG-TERM LIABILITIES</b>			
Long-term debt, less current portion	-	9,542,035	10,461,429
Accrued management fees	-	1,254,138	904,146
Deferred rent	<u>33,550</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>33,550</u>	<u>10,796,173</u>	<u>11,365,575</u>
Total liabilities	11,253,090	12,542,834	13,242,764
<b>MEMBER'S EQUITY (DEFICIT)</b>	<u>83,213</u>	<u>(1,268,439)</u>	<u>(62,844)</u>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</b>	<u>\$ 11,336,303</u>	<u>\$ 11,274,395</u>	<u>\$ 13,179,920</u>

The accompanying notes are an integral part of the consolidated financial statements.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
For the Period January 1, 2013 to November 15, 2013  
and the Years Ended December 31, 2012 and 2011

	<u>Period Ended</u> <u>November 15,</u>	<u>Year Ended December 31,</u>	
	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>			
Franchise sales:			
Foreign	\$ 1,191,703	\$ 1,425,855	\$ 1,900,747
Domestic	486,500	69,500	258,500
	<u>1,678,203</u>	<u>1,495,355</u>	<u>2,159,247</u>
Royalties, fees and product sales:			
Foreign	4,664,895	4,812,531	4,853,615
Domestic	1,445,522	1,721,486	1,739,106
	<u>6,110,417</u>	<u>6,534,017</u>	<u>6,592,721</u>
 Total revenues	 7,788,620	 8,029,372	 8,751,968
 <b>COST OF REVENUES</b>	 <u>2,097,620</u>	 <u>3,049,771</u>	 <u>3,318,577</u>
 Gross profit	 5,691,000	 4,979,601	 5,433,391
 <b>OPERATING EXPENSES</b>	 <u>4,035,713</u>	 <u>4,203,184</u>	 <u>4,698,964</u>
 Income from operations	 <u>1,655,287</u>	 <u>776,417</u>	 <u>734,427</u>
 <b>OTHER INCOME (EXPENSE)</b>			
Interest income	20,271	27,708	78,360
Other income	1,645	-	-
Interest expense	(1,142,282)	(1,527,763)	(1,563,377)
Management fees waived	1,560,381	-	-
Acquisition expenses	(566,124)	-	-
Foreign taxes	(455,877)	(481,957)	(415,932)
	<u>(581,986)</u>	<u>(1,982,012)</u>	<u>(1,900,949)</u>
 Total other expense	 <u>(581,986)</u>	 <u>(1,982,012)</u>	 <u>(1,900,949)</u>
 <b>NET INCOME (LOSS)</b>	 <u>\$ 1,073,301</u>	 <u>\$ (1,205,595)</u>	 <u>\$ (1,166,522)</u>

The accompanying notes are an integral part of the consolidated financial statements.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY (DEFICIT)**  
For the Period January 1, 2013 to November 15, 2013  
and the Years Ended December 31, 2012 and 2011

<b>BALANCE, DECEMBER 31, 2010</b>	\$ 1,103,678
Net loss	<u>(1,166,522)</u>
<b>BALANCE, DECEMBER 31, 2011</b>	(62,844)
Net loss	<u>(1,205,595)</u>
<b>BALANCE, DECEMBER 31, 2012</b>	(1,268,439)
Contributions	278,351
Net income	<u>1,073,301</u>
<b>BALANCE, NOVEMBER 15, 2013</b>	<u>\$ 83,213</u>

The accompanying notes are an integral part of the consolidated financial statements.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Period January 1, 2013 to November 15, 2013  
and the Years Ended December 31, 2012 and 2011

	<b>Period Ended November 15,</b>	<b>Year Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (loss)	\$ 1,073,301	\$ (1,205,595)	\$ (1,166,522)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Management fees waived	(1,560,381)	-	-
Depreciation and amortization	799,535	2,160,806	2,144,970
Capitalized interest expense	160,582	-	-
Provision for bad debts	209,950	(59,500)	(75,812)
Effects of changes in operating assets and liabilities:			
Accounts receivable	(626,734)	133,641	199,776
Inventories	23,348	69,033	67,739
Prepaid expenses	(39,332)	(365)	(2,357)
Accrued interest	19,287	-	-
Accounts payable	33,530	229,464	477,577
Deposits from customers	5,000	(10,000)	8,736
Deferred rent	33,550	-	-
Accrued bonuses	612,445	-	-
Accrued management fees	306,243	-	-
	<u>1,050,324</u>	<u>1,317,484</u>	<u>1,654,107</u>
Net cash provided by operating activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Issuance of notes receivable	-	-	(45,000)
Payments received on notes receivable	-	18,138	32,972
Purchases of intangible assets	(334,376)	(292,863)	(566,471)
Purchases of property and equipment	(13,578)	(91,678)	(15,643)
	<u>(347,954)</u>	<u>(366,403)</u>	<u>(594,142)</u>
Net cash used in investing activities			

The accompanying notes are an integral part of the consolidated financial statements.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Period January 1, 2013 to November 15, 2013  
and the Years Ended December 31, 2012 and 2011

	<u>Period Ended</u> <u>November 15,</u>	<u>Year Ended December 31,</u>	
	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long-term debt	(900,000)	(919,394)	(1,398,836)
Contributions from members	278,351	-	-
	<u>(621,649)</u>	<u>(919,394)</u>	<u>(1,398,836)</u>
Net cash used in financing activities			
	<u>(621,649)</u>	<u>(919,394)</u>	<u>(1,398,836)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	80,721	31,687	(338,871)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>			
	<u>528,186</u>	<u>496,499</u>	<u>835,370</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>			
	<u>\$ 608,907</u>	<u>\$ 528,186</u>	<u>\$ 496,499</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Interest paid	<u>\$ 1,122,995</u>	<u>\$ 1,527,763</u>	<u>\$ 1,563,377</u>
Foreign taxes paid	<u>\$ 455,877</u>	<u>\$ 481,957</u>	<u>\$ 415,932</u>
<b>NON-CASH FINANCING ACTIVITIES:</b>			
Compensation expense related to management restricted unit plan	<u>\$ -</u>	<u>\$ 66,377</u>	<u>\$ 190,215</u>

The accompanying notes are an integral part of the consolidated financial statements.



**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Period January 1, 2013 to November 15, 2013 and  
the Years Ended December 31, 2012 and 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Operations**

Crestcom International, LLC ("Crestcom") is located in Greenwood Village, Colorado. Crestcom produces and distributes video-based, live-facilitated training programs that are delivered to end-users by appointed franchisees located in numerous countries including the United States. Franchisees pay for the right to acquire franchises. In addition, Crestcom receives distribution fees and royalties as a percentage of revenues derived by franchisees from the sale or use of the materials.

Crestcom South Africa, Limited ("Crestcom SA"), a company formed under the laws of South Africa, is a wholly-owned subsidiary of Crestcom. Crestcom SA was formed to collect franchise fees and royalties from franchisees in South Africa. The accompanying consolidated financial statements include the accounts of Crestcom and Crestcom SA (collectively referred to as the "Company"). Crestcom SA is included in these consolidated financial statements under accounting principles generally accepted in the United States of America ("U.S. GAAP"). Intercompany transactions have been eliminated in consolidation.

The Company is wholly-owned by Crestcom Holdings, LLC ("Holding Company").

On November 15, 2013, after the close of business, Crestcom Holdings International, LLC ("Crestcom Holdings") acquired 100% of the Company's outstanding units at a cost of \$15,000,000, paid in cash, subject to adjustment based on actual working capital conveyed at closing. The accompanying financial statements are presented for the period from January 1, 2013 to November 15, 2013, which is prior to the acquisition, and the years ended December 31, 2012 and 2011.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions relate to the valuation allowance for accounts receivable, depreciation and amortization of property and equipment, intangible assets and goodwill. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

**Revenue Recognition**

The Company recognizes revenue from the sales of domestic franchises when all significant services related to the franchise sale have been substantially performed. Substantial performance is considered to have occurred when franchisees are provided with an initial supply of product, an operating policies handbook, training, and the franchise fee is considered collectible. The Company recognizes revenue from the sales of franchises to foreign franchisees on a cash basis due to the uncertainty of collection. At November 15, 2013, December 31, 2012 (unaudited) and 2011 (unaudited), there were 181, 192, and 204 franchises in the system, respectively (see Note 8).

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Period January 1, 2013 to November 15, 2013 and  
the Years Ended December 31, 2012 and 2011

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Company recognizes distribution fees and royalties as earned when the franchises report the associated revenue to the Company. The Company recognizes revenue associated with product sales when the product is shipped to the franchises.

In January 2013, the Company released version five of its Bullet Proof® Manager training program. Upon release of a new training program, franchisees are required to pay a material surcharge per the franchise agreement. For the period January 1, 2013 to November 15, 2013, the Company recognized revenue of \$633,275 in product surcharge fees which is included in product sales. The Company is in the process of translating the new training videos into additional languages and expects to have this completed during 2014.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Accounts Receivable**

Accounts receivable reflect amounts billed to franchisees, net of an allowance for doubtful accounts. The allowance for doubtful accounts is determined by management based on the Company's historical losses, specific customer circumstances, and general economic conditions. Periodically, management reviews its accounts receivable and adjusts the allowance based on current circumstances and charges-off uncollectible receivables when all attempts to collect have failed; collection efforts, however, may continue. The Company charges interest on past due amounts in accordance with franchise agreement terms. The Company may grant promissory notes to franchisees for the purchase of licenses. Payment terms are generally 12 months or less and are included in accounts receivable in the accompanying balance sheets.

**Inventories**

Inventories, which consist primarily of binders and accessories, are stated at the lower of cost (first-in, first-out method) or market.

**Property and Equipment**

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Office furniture and equipment are depreciated over 3 to 7 years. Leasehold improvements are amortized over the shorter of their useful lives or the lease term. Depreciation and amortization expense for the period January 1, 2013 to November 15, 2013 and for the years ended December 31, 2012 and 2011 was \$26,252, \$56,685 and \$47,761, respectively.

Expenditures for major renewals and betterments, which extend the useful lives of property and equipment, are capitalized; expenditures for maintenance and repairs are charged to expense as incurred.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Period January 1, 2013 to November 15, 2013 and  
the Years Ended December 31, 2012 and 2011

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment is recognized when the estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. An impairment is measured as the amount an asset's net book value exceeds its estimated fair value. The Company continually evaluates the carrying value and the remaining economic useful life of all long-lived assets and will adjust the carrying value and the related depreciation and amortization period if and when appropriate. The Company determined that no impairment loss needed to be recognized for property and equipment at November 15, 2013, December 31, 2012 and 2011.

**Intangible Assets**

Intangible assets are recorded at cost. Product development costs consist primarily of costs to produce and translate audio and video training programs, including related training materials. Amortization of capitalized product development costs begins when the product is available for general release and marketing. Unamortized product development costs determined to be in excess of net realizable value of the product is expensed immediately. Amortization of intangible assets is provided using the straight-line method over the following estimated useful lives:

Franchise agreements	12 years
Trademarks and product development costs	8 years
Non-compete agreements	5 years
Copyrights	30 years

Research and development costs for new products are charged to expense as incurred. However, the costs incurred for the development or translation of new audio and video training programs, including related training materials, that will be sold, leased, or otherwise marketed are capitalized when technological feasibility has been established. These capitalized costs are subject to an ongoing assessment of recoverability based on anticipated future revenues.

Intangible assets with estimable useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized when the estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. The Company continually evaluates the carrying value and the remaining economic useful life of all intangible assets and will adjust the carrying value and the related amortization period if and when appropriate. The Company would also vigorously defend any copyright infringement. The Company determined that no impairment loss needed to be recognized for intangible assets at November 15, 2013, December 31, 2012 and 2011.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Period January 1, 2013 to November 15, 2013 and**  
**the Years Ended December 31, 2012 and 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Goodwill**

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. Goodwill is not amortized, but instead tested for impairment at least annually. Measurement of goodwill impairment is based on the excess of the carrying amount of the asset over the fair value calculated using discounted expected future cash flows. As a result of the impairment analysis, the Company concluded goodwill was not impaired as of November 15, 2013, December 31, 2012 and 2011.

**Deferred Financing Costs**

Costs incurred with the issuance of long-term debt are deferred and amortized over the term of the underlying note. During 2009, the Company incurred \$86,290 in financing fees to re-negotiate its note agreement (see Note 4). Net deferred financing costs were \$0, \$82,682 and \$180,026 at November 15, 2013, December 31, 2012 and 2011, respectively. Amortization related to these costs was \$82,682, \$97,344 and \$108,427 for the period January 1, 2013 to November 15, 2013 and the years ended December 31, 2012 and 2011, respectively.

**Advertising Costs**

Advertising costs are expensed as incurred. The Company incurred \$260,550, \$180,770 and \$170,050 in advertising costs for the period January 1, 2013 to November 15, 2013 and the years ended December 31, 2012 and 2011, respectively.

**Shipping and Handling Costs**

Shipping and handling costs billed to customers represent the revenue earned for goods provided and have been classified as revenue and the related cost as cost of revenue. During the period January 1, 2013 to November 15, 2013 and the years ended December 31, 2012 and 2011, the Company incurred \$20,913, \$49,998 and \$50,963 in shipping and handling costs, respectively.

**Income Taxes**

The Company is a limited liability company which is taxed as a partnership under the provisions of the Internal Revenue Code. Under those provisions, no income taxes are paid by the Company. Therefore, no provision or liability for income taxes has been included in the accompanying consolidated financial statements. Instead, the members are liable for income taxes on their pro rata share of the Company's income, deductions, losses and credits.

The Company is a single member limited liability company and is considered a disregarded entity for tax purposes. As a result, the Company does not file a federal or Colorado income tax return. The Company is a pass through entity for income tax purposes whereby any income tax liabilities or benefits are attributable to the Company's owner. Amounts paid by the Company for income taxes are accounted for as transactions with the Company's owner.

The Company is required to remit foreign taxes to certain countries based upon amounts received from its franchises in those countries.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Period January 1, 2013 to November 15, 2013 and  
the Years Ended December 31, 2012 and 2011

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

Management evaluated subsequent events through April 10, 2014, the date the consolidated financial statements were available to be issued. Events or transactions occurring after November 15, 2013, but prior to April 10, 2014, that provided additional evidence about conditions that existed at November 15, 2013, have been recognized in the consolidated financial statements for the period January 1, 2013 to November 15, 2013. Events or transactions that provided evidence about conditions that did not exist at November 15, 2013, but arose before the consolidated financial statements were available to be issued, have not been recognized in the consolidated financial statements for the period January 1, 2013 to November 15, 2013.

**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>November 15, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Office furniture and equipment	\$ 231,570	\$ 217,993	\$ 135,765
Leasehold improvements	50,496	50,496	41,047
	282,066	268,489	176,812
Accumulated depreciation	<u>(229,000)</u>	<u>(202,749)</u>	<u>(146,065)</u>
<b>Total</b>	<b><u>\$ 53,066</u></b>	<b><u>\$ 65,740</u></b>	<b><u>\$ 30,747</u></b>

**NOTE 3 – INTANGIBLE ASSETS**

Intangible assets consist of the following:

	<u>November 15, 2013</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Franchise agreements	\$ 6,240,000	\$ 6,240,000	\$ 6,240,000
Trademarks and product development costs	8,547,707	8,236,713	7,944,039
Non-compete agreements	200,000	200,000	200,000
Copyrights	94,822	71,440	71,440
	15,082,529	14,748,153	14,445,479
Accumulated amortization	<u>(10,619,432)</u>	<u>(9,928,831)</u>	<u>(7,922,243)</u>
<b>Total</b>	<b><u>\$ 4,463,097</u></b>	<b><u>\$ 4,819,322</u></b>	<b><u>\$ 6,533,236</u></b>

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Period January 1, 2013 to November 15, 2013 and  
the Years Ended December 31, 2012 and 2011

**NOTE 3 – INTANGIBLE ASSETS (CONTINUED)**

Total amortization expense for the period January 1, 2013 to November 15, 2013 and the years ended December 31, 2012 and 2011 was \$690,601, \$2,006,777 and \$1,991,782, respectively. The Company was acquired after the close of business on November 15, 2013, at which time the assets acquired and liabilities assumed were recorded at their estimated fair values, and intangible assets were re-valued (see Note 1).

**NOTE 4 – LONG-TERM DEBT**

Long-term debt consists of the following:

	<b>November 15, 2013</b>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Installment notes payable to a financial institution, payable in quarterly principal payments ranging from \$200,000 to \$500,000 through December 31, 2013, with the unpaid principal balance due January 31, 2014. Notes are subject to annual excess cash flow payments as defined by the credit agreement, plus interest at either a base rate or LIBOR interest option. Both rates are subject to an applicable margin of 8% and 9% for base rate and LIBOR rate loans, respectively. The notes payable are secured by substantially all of the assets of the Company.	\$ 10,202,617	\$ 10,942,035	\$ 11,861,429
Less current portion	<u>10,202,617</u>	<u>1,400,000</u>	<u>1,400,000</u>
<b>Long-term portion</b>	<u>\$ -</u>	<u>\$ 9,542,035</u>	<u>\$ 10,461,429</u>

The Company pays interest accrued in arrears on the notes on the first day of the month. The Company has the option to add 2% of the interest due to the principal of the notes in lieu of cash payment. The long-term debt is subject to several non-financial and financial covenants. Management believes the Company was in compliance with all covenants at November 15, 2013, December 31, 2012 and 2011.

On March 21, 2012, the Company signed an amendment to their long-term debt agreement, which reduced the required quarterly payments from \$500,000 to \$350,000 during 2012. Additionally, the financial covenants were amended for 2012.

On December 31, 2012, the Company signed another amendment to the agreement, which amended the payment schedule for 2013, amended the financial covenants, and extended the maturity date until January 31, 2014.

As part of the two amendments, the Company was required to pay \$55,000 in amendment fees.

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Period January 1, 2013 to November 15, 2013 and**  
**the Years Ended December 31, 2012 and 2011**

**NOTE 4 – LONG-TERM DEBT (CONTINUED)**

As describe in Note 1, after the close of business on November 15, 2013, the Company was acquired by Crestcom Holdings. As part of the acquisition, the installment notes were paid in full.

**NOTE 5 – RELATED PARTY TRANSACTIONS**

U.S. GAAP establishes a framework for consolidation of variable interest entities. Bear Growth Capital Partners, LP (“Bear Growth”) was identified as a significant variable interest entity which was not a primary beneficiary and therefore does not require consolidation with the Company.

The Company had agreed to pay Bear Growth an annual management fee of the greater of \$350,000 or 3% of the Company’s EBITDA for each applicable year plus out-of-pocket expenses for managing its operations and business, which is payable in monthly installments. For the years ended December 31, 2012 and 2011, the Company incurred \$350,000 of management fees. Bear Growth agreed to curtail payments beginning with the monthly installment for June 2009; the fee, however, was not waived at that time. Included in long-term liabilities is \$1,254,138 and \$904,146 of management fees owed to Bear Growth at December 31, 2012 and 2011, respectively. In conjunction with the sale of the Company, Bear Growth agreed to waive the accrued management fees of \$1,560,381 and the Company paid closing costs of \$305,748 on behalf of Bear Growth in connection with the acquisition (see Note 1).

During a portion of the year ended December 31, 2012 and during all of the year ended December 31, 2011, the Company leased office, storage and classroom space from a company that was owned by a primary shareholder of a minority member of Holding Company. Rent expense paid to this related party aggregated \$27,152 and \$141,183 for the years ended December 31, 2012 and 2011, respectively. There were no related party lease transactions during the period January 1, 2013 to November 15, 2013.

**NOTE 6 – CONCENTRATIONS OF CREDIT RISK**

U.S. GAAP requires disclosure of information about current vulnerabilities due to certain concentrations. These matters include the following:

At certain times throughout the year, the Company had cash amounts in excess of the federally insured amounts. The Company believes it is not exposed to any significant credit risk on these deposits.

At November 15, 2013, one franchise comprised 16% of accounts receivable. At December 31, 2012, three franchises comprised 40% of accounts receivable. At December 31, 2011, two franchisees comprised 26% of accounts receivable.

**NOTE 7 – RETIREMENT PLAN**

Effective January 1, 2011, employees who complete service requirements are eligible to participate in the Crestcom 401(k) Plan (the “Plan”). The Plan is a defined contribution plan in which eligible employees may elect to defer a portion of their salary. The Plan is a safe harbor plan in which employees are immediately fully vested in the employer contributions they receive. For the period

**CRESTCOM INTERNATIONAL, LLC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Period January 1, 2013 to November 15, 2013 and  
the Years Ended December 31, 2012 and 2011

**NOTE 7 – RETIREMENT PLAN (CONTINUED)**

January 1, 2013 to November 15, 2013 and the years ended December 31, 2012 and 2011, matching contributions were 100% of the eligible employee's deferral up to a maximum of 3% of each eligible employee's compensation, plus 50% of the eligible employee's deferral up to 5%. Total contributions charged to expense for the period January 1, 2013 to November 15, 2013 and the years ended December 31, 2012 and 2011 were \$31,443, \$18,009 and \$2,910, respectively.

**NOTE 8 – FRANCHISE INFORMATION**

The Company sells executive franchises for \$69,500 in the United States. Prices in foreign countries vary depending on location. There were 181, 192 and 204 franchises at November 15, 2013, December 31, 2012 and 2011, respectively, of which 26, 28 and 43 are in the United States as of November 15, 2013, December 31, 2012 and 2011, respectively.

Changes in the number of franchises during the period January 1, 2013 to November 15, 2013 and the years ended December 31, 2012 and 2011 are as follows:

	<u>November 15, 2013</u>	<u>December 31, 2012</u> (unaudited)	<u>December 31, 2011</u> (unaudited)
Franchises open at January 1	192	204	200
Opened during the period/year:			
Domestic	5	3	5
Foreign	19	18	35
Closed during the period/year:			
Domestic	(9)	(8)	(9)
Foreign	(26)	(25)	(27)
Franchises open at period/year-end	<u>181</u>	<u>192</u>	<u>204</u>

**NOTE 9 – LEASE COMMITMENT**

The Company currently leases space for its headquarters in Greenwood Village, Colorado which expires in November 2018. The future minimum rental commitment under the lease agreement is as follows for the years ending December 31:

2014	\$ 91,292
2015	94,229
2016	97,166
2017	100,103
2018	<u>94,229</u>
	<u>\$ 477,019</u>

Rent expense paid under this lease aggregated \$113,590 and \$129,542 for the period January 1, 2013 to November 15, 2013 and the year ended December 31, 2012, respectively.

This information is an integral part of the accompanying consolidated financial statements.



**UNAUDITED FINANCIAL STATEMENTS OF  
CRESTCOM INTERNATIONAL, LLC  
AS OF JANUARY 31, 2014**

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

**Crestcom International LLC**  
**Balance Sheet**  
**As of January 31, 2014**

**ASSETS**

**Current Assets**

Cash	\$ 1,500,245.26
Accounts Receivable	\$ 612,132.05
Inventory	\$ 86,706.81
Prepaid Expenses & Other Assets	\$ 126,616.52
<b>Total Current Assets</b>	<b><u>\$ 2,325,700.64</u></b>

<b>Fixed Assets, net</b>	<b>\$ 75,076.31</b>
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**Other Assets**

Intangibles, net	\$ 5,916,933.45
Goodwill	\$ 8,565,786.89
Deferred Financing Cost, net	\$ 340,644.88
<b>Total Other Assets</b>	<b><u>\$ 14,823,365.22</u></b>

<b>Total ASSETS</b>	<b><u><u>\$ 17,224,142.17</u></u></b>
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**LIABILITIES & EQUITY**

**Current Liabilities**

Accounts Payable	\$ 678,017.55
Accrued Interest	\$ 119,408.06
Deposit from Customers	\$ 33,619.00
Accrued Commissions & Bonus	\$ 95,756.65
Current Portion of Long Term Debt	\$ 571,429.00
<b>Total Current Liability</b>	<b><u>\$ 1,498,230.26</u></b>

**Long Term Liabilities**

Long Term Debt	\$ 10,833,332.90
Deferred Rent Expense	\$ 37,013.73
<b>Total Long Term Liabilities</b>	<b><u>\$ 10,870,346.63</u></b>

<b>Total Equity</b>	<b>\$ 4,855,565.28</b>
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<b>Total LIABILITIES &amp; EQUITY</b>	<b><u><u>\$ 17,224,142.17</u></u></b>
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**Crestcom International LLC**  
**Income Statement**  
**January 1, 2014 - January 31, 2014**

<hr style="border: 1px solid gray;"/>		
Revenue	\$	765,158.80
<b>Cost Of Sales</b>		
Material & Commissions	\$	234,320.18
Amortization	\$	22,250.00
<b>Total - Cost Of Sales</b>	<u>\$</u>	<u>256,570.18</u>
<b>Gross Profit</b>	<u>\$</u>	<u>508,588.62</u>
<b>Operating Expense</b>		
General & Administrative	\$	418,271.34
Depreciation	\$	417.00
<b>Total Operating Expense</b>	<u>\$</u>	<u>418,688.34</u>
<b>Income from Operations</b>	<u>\$</u>	<u>89,900.28</u>
<b>Other Income (Expense)</b>		
Interest Income	\$	1,834.92
Interest Expense	\$	(104,714.10)
Amortization	\$	(57,591.26)
Foreign Taxes	\$	(47,514.56)
<b>Total - Other Expense</b>	<u>\$</u>	<u>(207,985.00)</u>
<b>Net Income (Loss)</b>	<u>\$</u>	<u>(118,084.72)</u>

**ATTACHMENT K**

**LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS**

**LIST OF STATE AGENCIES AND  
AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE AGENCY</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b>CALIFORNIA</b>	Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7500 (866) 275-2677 (toll free)  1515 K Street, Suite 200 Sacramento, California 95814 (916) 445-7205  1350 Front Street, Room 2034 San Diego, California 92101 (619) 525-4233  One Sansome Street, Suite 600 San Francisco, California 94104 (415) 972-8559	California Commissioner of Business Oversight California Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 526-7500 (866) 275-2677 (toll free)
<b>FLORIDA</b>	Florida Department of Agriculture and Consumer Services Division of Consumer Services Attn: Finance & Accounting 407 South Calhoun Street Tallahassee, Florida 32399-0800 (850) 488-2221	None
<b>HAWAII</b>	Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	Hawaii Commissioner of Securities Same Address
<b>ILLINOIS</b>	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	Illinois Attorney General Same Address
<b>INDIANA</b>	Indiana Secretary of State Division of Securities 302 West Washington Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, Indiana 46204 (317) 232-6531
<b>IOWA</b>	Iowa Secretary of State 321 E. 12 <sup>th</sup> Street Des Moines, Iowa 50319 (515) 281-5204	Same

STATE	STATE AGENCY	AGENT FOR SERVICE OF PROCESS
<b>MARYLAND</b>	Office of Attorney General Maryland Division of Securities 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	Maryland Securities Commissioner Same Address
<b>MICHIGAN</b>	Suzanne Hassan, Assistant Attorney General Franchise Section - Consumer Protection Division G. Mennen Williams Building, 1st Floor 525 W. Ottawa Street Lansing, Michigan 48933 P.O. Box 30213 Lansing, Michigan 48909 (517) 373-7117	Department of Energy, Labor and Economic Growth Corporations Division Bureau of Commercial Services 2501 Woodlake Circle, 1st Floor Okemos, Michigan 48864 P.O. Box 30054 Lansing, Michigan 48909
<b>MINNESOTA</b>	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, Minnesota 55101 (651) 539-1600	Minnesota Commissioner of Commerce Same Address
<b>NEBRASKA</b>	Department of Banking and Finance 1230 "O" Street, Suite 400 P.O. Box 95006 Lincoln, Nebraska 68509-5006 (402) 471-3445	None
<b>NEW YORK</b>	New York State Department of Law Bureau of Investor Protection and Securities 120 Broadway, 23rd Floor New York, New York 10271 (212) 416-8211	Secretary of State of the State of New York 162 Washington Avenue Albany, New York 12231 (518) 473-2492
<b>NORTH DAKOTA</b>	North Dakota Securities Department 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505 (701) 328-4712	North Dakota Securities Commissioner Same
<b>OREGON</b>	Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building 350 Winter Street NE, Room 410 Salem, Oregon 97301-3881 (503) 378-4140	Director of Oregon Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building 350 Winter Street NE, Room 410 Salem, Oregon 97301-3881 (503) 378-4140
<b>RHODE ISLAND</b>	State of Rhode Island and Providence Plantations Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex - Building 69-1 Cranston, Rhode Island 02920 (401) 462-9500	Director of Rhode Island Department of Business Regulation Same Address

<b>STATE</b>	<b>STATE AGENCY</b>	<b>AGENT FOR SERVICE OF PROCESS</b>
<b>SOUTH DAKOTA</b>	South Dakota Department of Labor & Regulation Division of Securities 445 East Capitol Pierre, South Dakota 57501 (605) 773-4823	Director of South Dakota Division of Securities Same Address
<b>TEXAS</b>	Secretary of State Statutory Document Section James E. Rudder Building 1019 Brazos Street Austin, Texas 78701 P.O. Box 13550 Austin, Texas 78711 (512) 463-5705	None
<b>VIRGINIA</b>	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051	Clerk of the State Corporation Commission State Corporation Commission 1300 E. Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733
<b>WASHINGTON</b>	Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, Washington 98501 P.O. Box 9033 Olympia, Washington 98507-8760 (360) 902-8760	Director of Financial Institutions Same
<b>WISCONSIN</b>	Department of Financial Institutions Division of Securities 201 W. Washington Avenue, Suite 300 Madison, Wisconsin 53703 P.O. Box 1768 Madison, Wisconsin 53701-1768 (608) 266-8557	Administrator, Division of Securities Same Address

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process.

There may also be additional agents appointed in some of the states listed.

**ATTACHMENT L**

**STATE ADDENDUM TO DISCLOSURE DOCUMENT**



**STATE LAW ADDENDA TO THE  
CRESTCOM INTERNATIONAL, LLC  
DISCLOSURE DOCUMENT**

The following modifications are made to the Crestcom International, LLC (“Crestcom”) Franchise Disclosure Document for the states noted below.

CALIFORNIA

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

**OUR WEBSITES ([www.crestcomfranchise.com](http://www.crestcomfranchise.com) and [www.crestcomleadership.com](http://www.crestcomleadership.com)) HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THESE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.dbo.ca.gov](http://www.dbo.ca.gov).**

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

Neither we nor any person listed in Item 2 of this Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C. § 78a et seq., suspending or expelling these persons from membership in this association or exchange.

2. The following sentence is added at the end of Item 5:

All initial fees payable to us shall be deferred until the day that we have completed our initial obligations to you.

3. The following sentence is added to the end of Item 10:

If we decide to finance a portion of your initial fees, we will comply with all appropriate laws governing any direct financing offered by us to you including, if applicable, the California Finance Lender Law.

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

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

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.)

The Franchise Agreement contains a covenant not to compete which extends beyond the termination or expiration of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause that will apply if you, or one of your officers, directors, partners, members, managers, employees, agents, or representatives interferes with our business in violation of the Franchise Agreement. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Denver, Colorado, with the costs being awarded to the prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and Federal laws (such as Business and Professions Code 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provision of the Franchise Agreement, restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of the State of Colorado. This provision may not be enforceable under California law.

Section 31125 of the Franchise Investment Law requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

You may be required to sign a general release if you renew or transfer your franchise. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516). Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§ 20000 through 20043).

## HAWAII

**THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE STATE AUTHORITY LISTED IN ATTACHMENT J.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY 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 OF ONLY CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH FRANCHISOR AND FRANCHISEE.**

Registered agent in the state authorized to receive service of process:

Commissioner of Securities  
Department of Commerce & Consumer Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(303) 586-2722

1. The following statement is added to Items 5 and 7:

All initial fees payable to us shall be deferred until we have fulfilled our initial obligations to you under the Franchise Agreement.

2. The following paragraph is added to Item 17:

Section 482E-6(3) of the Hawaii Revised Statutes provides that upon termination or refusal to renew the Franchise, we are obligated to compensate you for the fair market value, at the time of the termination or expiration of the Franchise, of your inventory, supplies, equipment and furnishings purchased from us or a supplier designated by us; provided that personalized materials which have no value to us need not be compensated for. If we refuse to renew a Franchise for the purpose of converting your business to one owned and operated by us, we, in addition to the remedies provided above, shall compensate you for the loss of goodwill. We may deduct from such compensation reasonable costs incurred in removing, transporting and disposing of your inventory, supplies, equipment and furnishings pursuant to this requirement, and may offset from such compensation any monies due us.

3. The following list reflects the status of our franchise registration in the states which require registration:

- A. The states in which this proposed registration is effective: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

- B. The states in which this proposed registration is or will be shortly on file: None.

- C. The states, if any, which have refused, by order or otherwise, to register these franchises: None.

- D. The states, if any, which have revoked or suspended the right to offer these franchises: None.

- E. The states, if any, in which the proposed registration of these franchises has been withdrawn by us: None.

## INDIANA

1. The following statement is added to Item 12:

Indiana law prohibits us from establishing a Crestcom-owned outlet engaged in a substantially identical business within your Assigned Area, or if no exclusive territory is designated, that competes unfairly with you within a reasonable area.

2. The Summary columns of Items 17.r, 17.u, 17.v and 17.w are deleted and replaced by the following:

17.r: Prohibited for 30 months from owning or operating a competing business located or operating within your CRESTCOM Business Assigned Area.

17.u: Except for certain claims, all disputes must be arbitrated in Indiana, if there is a valid and legal restriction under Indiana law to prohibit you and us from agreeing on a site of arbitration in Denver, Colorado. Unless this restriction is found to be valid and legal, you and we agree that arbitration shall take place in Denver, Colorado in accordance with the Franchise Agreement.

17.v: Arbitration in Indiana, if there is a valid and legal restriction under Indiana law to prohibit you and us from agreeing on a site of arbitration in Denver, Colorado. Unless this restriction is found to be valid and legal, you and we agree that arbitration shall take place in Denver, Colorado in accordance with the Franchise Agreement.

17.w: Except to the extent governed by federal law, disputes related to a breach of the Franchise Agreement under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law shall be governed by those laws, and all other matters regarding the Franchise Agreement shall be governed by the laws of the State of Colorado.

The amended language has been included in Items 17.u, 17.v and 17.w of this Disclosure Document as a condition to registration. We and you do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, are fully enforceable. We and you intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by us, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal preemption under the Federal Arbitration Act.

## MINNESOTA

1. The following statement is added to the Risk Factors on the State Cover Page:

**4. MINNESOTA STATUTES §80C.21 AND MINNESOTA RULES 2860.4400(J) PROHIBIT US FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE MINNESOTA, REQUIRING WAIVER OF A JURY TRIAL, OR REQUIRING THE FRANCHISEE TO CONSENT TO LIQUIDATED DAMAGES, TERMINATION PENALTIES OR JUDGMENT NOTES. IN ADDITION, NOTHING IN THE DISCLOSURE DOCUMENT OR AGREEMENT CAN ABROGATE OR REDUCE (1) ANY OF YOUR RIGHTS AS PROVIDED FOR IN MINNESOTA STATUTES, CHAPTER 80C, OR (2) YOUR RIGHTS TO ANY**

**PROCEDURE, FORUM, OR REMEDIES PROVIDED FOR BY THE LAWS OF THE JURISDICTION.**

2. The following statements are added to the State Cover Page:

**THIS FRANCHISE HAS BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

3. The following statement is added at the end of Items 5 and 7:

All initial fees payable to us shall be deferred until the day that your CRESTCOM Business opens for business.

4. The following statement is added at the end of Item 13:

We will protect your right to use our Marks to the extent required under Minnesota law. The Minnesota Department of Commerce requires franchisors to indemnify franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's marks infringes upon the trademark rights of the third party.

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

Minnesota Rules 2860.4400(D) prohibits us from requiring you to assent to a general release from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22, provided, it does not bar the voluntary settlement of disputes.

We will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

Minn. Stat. §80C.17, subd. 5 provides that any claims and actions based on a violation of Chapter 80C of the Minnesota statutes or any rule or order thereunder shall be commenced within three years from the occurrence of the facts giving rise to such claim or action.

Minnesota Statute §80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties, or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement can abrogate or reduce (1) any of your rights as provided for in Minnesota Statutes, Chapter 80C, or (2) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. The above language has been included in this Disclosure Document as a condition to registration. We and you do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all choice of law provisions, are fully enforceable. We and you intend to fully enforce all of the provisions of the Franchise Agreement, and all other documents signed by us, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

You cannot consent to us obtaining injunctive relief. We may seek injunctive relief. See Minnesota Rule 2860.4400(J). Also, a court will determine if a bond is required.

## NEW YORK

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN ATTACHMENT J OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY THE STATE OF NEW YORK DOES NOT MEAN THAT THE STATE OF NEW YORK RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23<sup>RD</sup> FLOOR, NEW YORK, NEW YORK 10271.

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

1. The following paragraphs are added at the beginning of Item 3:

Except as disclosed in this Item 3, neither we nor any person identified in Item 2 above has any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against it, him or her alleging a felony, violation of any franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

Except as disclosed in this Item 3, neither we nor any person identified in Item 2 above has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the date of this Disclosure Document, has been convicted of or pleaded nolo contendere to a misdemeanor charge or been the subject of a civil action alleging a violation of any franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable allegations.

Except as disclosed in this Item 3, neither we nor any person identified in Item 2 above is (i) subject to any currently effective injunctive or restrictive order or decree relating to the franchise or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; and/or (ii) 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 (iii) subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of any action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

2. The following paragraph is added at the beginning of Item 4:

Neither we nor any predecessor, officer or general partner of ours has, during the 10-year period immediately preceding the date of this Disclosure Document, been adjudged bankrupt or reorganized due to insolvency, or was a principal officer of any company or a general partner in any partnership that was adjudged bankrupt or reorganized due to insolvency during or within one year after the period that such officer or general partner of ours held such position in such company or partnership, nor has any such bankruptcy or reorganization proceeding been commenced.

3. The following sentence is added at the end of Item 12:

Except as noted above, there are no circumstances under which the Assigned Area may be altered prior to the expiration or termination of your Franchise Agreement.

4. The first paragraph of Item 15 is deleted in its entirety with the following substituted in its place:

Franchisees or their Principal Representatives must devote their best, full time efforts toward the management and operation of their CRESTCOM Businesses. If you are an entity franchisee, your principal owner must be approved by us in writing prior to serving as your Principal Representative. Neither your designated Principal Representative nor your Facilitator will be required to have an equity interest in your CRESTCOM Business. You, or if applicable, your Principal Representative, is required to successfully complete our mandatory initial training program.

5. The Summary column of Items 17.d, 17.j and 17.w are deleted and replaced by the following:

17.d: You may terminate the Franchise Agreement upon any grounds available by law.

17.j: No assignment will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement.

17.w: Colorado law applies. The Colorado Consumer Protection Act does not apply. The foregoing choice of law should not be considered a waiver of any right conferred upon either us or upon you by the General Business Law of the State of New York, Article 33. (The foregoing language has been included in this Disclosure Document as a condition of registration. We and you do not agree with the above language and believe that each of the provisions of the Franchise Agreement including all choice of law provisions, are fully enforceable. We and you intend to fully enforce all of the provisions of the Franchise Agreement, and all other documents signed by us, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal preemption under the Federal Arbitration Act.)

## FACTORS TO BE CONSIDERED

ANY DISPUTES, DIFFERENCES OR CONTROVERSIES THAT ARISE PURSUANT TO THE FRANCHISE AGREEMENT OR BREACH THEREOF SHALL BE SETTLED BY ARBITRATION. ALL SUCH PROCEEDINGS SHALL BE HELD IN DENVER, COLORADO. THIS INFORMATION SHOULD BE TAKEN INTO CONSIDERATION IN DETERMINING WHETHER OR NOT TO PURCHASE THIS FRANCHISE.

WE REPRESENT THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

**REGISTRATION OF THIS FRANCHISE BY THE NEW YORK STATE DEPARTMENT OF LAW DOES NOT MEAN THAT THE DEPARTMENT OF LAW APPROVES, RECOMMENDS, OR ENDORSES THE FRANCHISE.**

### NORTH DAKOTA

1. The following statement is added at the end of Item 5:

All initial fees payable to us shall be deferred until we have fulfilled all of our initial obligations to you and you have commenced doing business.

2. The following statement is added to the Summary columns of Items 17.c and 17.m:

(Any release executed in connection herewith shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.)

3. The following statement is added to the Summary column of Item 17.r:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the state of North Dakota.

4. The Summary columns of Items 17.u and 17.v are deleted and the following is inserted in their place:

Except for certain claims, all disputes must be arbitrated at a mutually agreed upon site, but only if there is a valid and legal restriction of the North Dakota Securities Commissioner to prohibit you and us from agreeing on a site of arbitration in Denver, Colorado. Unless this restriction is found to be valid and legal, you and we agree that arbitration shall take place in Denver, Colorado in accordance with the Franchise Agreement.

5. Item 17.w is deleted.



## RHODE ISLAND

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

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The preceding language has been included in this Disclosure Document as a condition to registration. We and you do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all choice of law provisions, are fully enforceable. We and you intend to fully enforce all of the provisions of the Franchise Agreement, and all other documents signed by us, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

## SOUTH DAKOTA

1. The following statement is added at the end of Item 5:

All initial fees payable to us and any of our affiliates shall be deferred until we have fulfilled all of our initial obligations to you and you have commenced operations pursuant to the Franchise Agreement.

## WASHINGTON

1. The following states have statutes that may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise: ALASKA [Stat. Sections 45.45.700-45.45.790], ARKANSAS [Stat. Sections 4-72-201 to 4-72-210], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Ch. 739, Sections 42-133e to 42-133h], DELAWARE [Title 6, Ch. 25, Code Sections 2551-2556], HAWAII [Title 26, Rev. Stat. Section 482E-6], IDAHO [Code Section 29-110], ILLINOIS [ILCS, Ch. 815, Sections 705/1-705/44], INDIANA [Code Section 23-2-2.7-1 to 7], IOWA [Title XX, Code Sections 523H.1-523H.17], MARYLAND [MD. CODE ANN., BUS. REG. Sections 14-201 to 14-233 (2004 Repl. Vol.)], MICHIGAN [1979 Comp. Laws, Section 445.1527], MINNESOTA [1996 Stat. Section 80C.14], MISSISSIPPI [Code Sections 75-24-51 to 75-24-63], MISSOURI [Rev. Stat. Sections 407.400-407.410, 407.413, 407.420], NEBRASKA [Rev. Stat. Sections 87-401 to 87-410], NEW JERSEY [Rev. Stat. Sections 56:10-1 to 56:10-12], SOUTH DAKOTA [Codif. L. Section 37-5B], VIRGINIA [Code Section 13.1-564], WASHINGTON [Rev. Code Sections 19.100.180, 19.100.190], WISCONSIN [Stat. Sections 135.01 - 135.07], DISTRICT OF COLUMBIA [Code Sections 29-1201 to 29-1208], PUERTO RICO [Ann. Laws, Title 10, Ch. 14, Sections 278-278d], VIRGIN ISLANDS [Code Ann., Title 12A, Ch. 2, Subch. III, Sections 130-139]. These and other states may have court decisions that may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

2. Arbitration shall take place at a site to be determined, at the time of arbitration, by the arbitrator appointed by the Denver, Colorado office of the Judicial Arbitrator Group or the American Arbitration Association, as applicable, but only if there is a valid and legal restriction under the Washington Franchise Investment Protection Act (the “Act”) to prohibit you and us from agreeing on the site for arbitration in Denver, Colorado. However, we and you do not agree that this is a valid and legal restriction under the Act, and, unless this restriction is found to be valid and legal, the parties agree that arbitration shall take place in Denver, Colorado in accordance with the Franchise Agreement. We and

you believe that each of the provisions of the Franchise Agreement, including all venue provisions, are fully enforceable. We and you intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by you and us, including but not limited to, all venue, choice-of-law, arbitration provisions, and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

3. In the event of a conflict of laws, the provisions of the Act, Chapter 19.100 RCW shall prevail.

4. A release or waiver of rights executed by a you 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, or rights or remedies under the Act, such as a right to a jury trial, may not be enforceable.

5. Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.

#### WISCONSIN

**1. REGISTRATION OF THIS FRANCHISE IN THE STATE OF WISCONSIN DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.**

2 The conditions under which the Franchise Agreement can be terminated or not renewed may be affected by the Wisconsin Fair Dealership Law, Wisconsin Statutes 1981-82, Title XIV-A, Chapter 135.

**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 Crestcom International, LLC ("Crestcom") offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor, or an affiliate, in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar-days before the execution of the franchise or other agreement or the payment of any consideration, whichever occurs first.

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

Crestcom authorizes the parties identified on Attachment K to receive service of process for Crestcom in the particular state.

The following Franchise Sellers were involved in the offering of this franchise:

The following employee(s) of Crestcom, having a principal business address and telephone number the same as Crestcom: \_\_\_\_\_.

The following independent sales agent (Crestcom requests that the prospective franchisee fill in the information if known): \_\_\_\_\_, having a principal business address at \_\_\_\_\_, telephone number \_\_\_\_\_.

Issuance Date: April 11, 2014.

I received a Disclosure Document dated April 11, 2014, that included the following Attachments:

Franchise Agreement and Exhibits (Attachment A); Confidentiality/Application Agreement (Attachment B); Nondisclosure and Noncompetition Agreement (Attachment C); Form of Promissory Note (Attachment D); Professional Sales Representative Program Rider to Franchise Agreement (Attachment E); Form of Successor Franchise Rider to Franchise Agreement (Attachment F); Current Form of General Release (Attachment G); List of Franchisees (Attachment H); Franchisees Who Have Left the System (Attachment I); Financial Statements (Attachment J); List of State Agencies/Agents for Service of Process (Attachment K); and State Addenda to Disclosure Document (Attachment L).

**DATE:** \_\_\_\_\_

\_\_\_\_\_  
**Prospective Franchisee**

**Print Name:** \_\_\_\_\_

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DATE: \_\_\_\_\_

\_\_\_\_\_  
**Prospective Franchisee**

**Print Name:** \_\_\_\_\_

**IMPORTANT: PLEASE IMMEDIATELY SIGN THIS PAGE AND EITHER SCAN AND E-MAIL IT TO CAROL.BEUTHEL@CRESTCOM.COM OR FAX IT TO 303-267-8207, THEN PROMPTLY RETURN THIS PAGE BY MAIL OR COURIER TO CRESTCOM INTERNATIONAL, LLC, 6900 EAST BELLEVIEW AVENUE, SUITE 100, GREENWOOD VILLAGE, COLORADO 80111.**